

NEWS SUMMARY

ATO get neutron warhead ahead

U.S. is preparing to see its decision to provide neutron warheads for NATO deployment in Warsaw Pact tank battalions in Europe, it was learnt.

The U.S. is expected to offer on the weapon in arms and negotiations in exchange for Soviet concessions in fields.

With hint

In Smith, the Rhodesian Minister, has indicated a preparedness to stand down a running in black majority in order to promote a compromise on the shape of an administration, it was learnt in Salisbury. At the African members called for early Council debate on the issue.

Quiry judge

Justice Groom-Johnson is to sit on the Tribunal of Inquiry into the deaths of the Crown Prince and his wife, Mr. Cuckney is to resign in office. Back Page

10 mishap

People were killed running down a way into the flames. Passengers were evacuated. A burning Continental Air Harbin-bound DC-10 with 100 people on board after the pilot had taken off at Los Angeles. Five people were injured.

dier killed

South Africa gunmen bluffed way into an elderly man's Belfast house and killed a British soldier. 140 machine-guns from an army helicopter. Thirty days after for peace in Northern Ireland are to be offered simultaneously from St. Patrick's Day, 17, in Westminster Abbey, Minister of the Interior and the Catholic Church.

sque blasts

As separatist guerrillas set 10 officers and installed the liberators, electricity in an attempt to stop a nuclear power at Lemniz.

kistan arrests

Arrests were made in Pakistan's three main cities, Rawalpindi, Lahore and Islamabad, following the announcement of a ban on all political parties.

agheap power

The new furnace in the time has harnessed the heat from bits of waste coal using in slag heaps in warm, showing that central heating can be run off slag heaps for years. Tass news agency cited from Moscow.

lefly

Hebrew Observer, Derbyshire, one of Britain's last 19 papers, is to amalgamate with the Ripley and Hemmer.

Conservatives are 1-5 to win in North North by-election, 5-1 the Liberals 1,000-1 the National Front 5,000-1 the Communist Party 11.

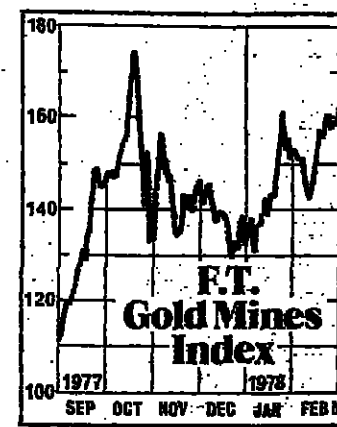
Protests were held outside 200 branches of Barclays in protest at the bank's investment in South Africa.

A woman lawyer has been ordered to defend Jewish student Anahay Sheharansky, 19, after a hearing at the Aston Villa 2, Chelsea 2.

BUSINESS

Gold reacts to dollar movement

● EQUITIES edged higher, in spite of nervousness about the weakness of the dollar and the FT Ordinary Index closed 0.4 up at 443.8.



● GOLD shares reacted to early falls in the dollar, and the Gold Mines Index rose 3.2 to 162.1, its highest since mid-October.

● GILTS were steady in a slow trading day and long closed 1 higher in places. The Government Securities Index closed 0.11 up at 74.52.

● STERLING fell 20 points to \$1.9395, its trade-weighted index falling to 65.1 (65.2). The DOLLAR fluctuated wildly against major currencies, but recovered its previous value to most cases. Its depreciation was 5.34 per cent. (5.56).

● GOLD was unchanged at \$182.1.

● WALL STREET closed 1 1/2 up at 748.34.

● COPPER exporting countries, Zambia, Zaire and Peru, have agreed to cut back copper production by 15 per cent. because of worldwide depressed prices and overproduction. Page 39

Budget stimulus needed—Healey

● CHANCELLOR has warned that the British economy would fail to meet its 31 per cent. GDP growth target for this year without a "significant" Budget stimulus. Mr. Healey blamed a slower-than-expected growth in world trade. Back Page

● ROLLS-ROYCE and Westland have signed a helicopter deal that could be worth more than £400m, with the Arab Organisation for Industrialisation, involving the supply of 20 Westland Lynx helicopters with RR engines and leading to the eventual assembly of the aircraft in Egypt. Back Page

● BRENT and Ekofisk oilfields will be shut down in the next few months so that damaged pipelines can be repaired, delaying production worth £3.1m a day. Back Page

● In spite of this setback, the Government expects North Sea oil production to reach its financial targets, energy Minister Dr. Dickson Mabon has said. Page 8

● FIAT managing-director has called for an EEC initiative to rationalise the European motor industry to counter the rapid expansion of Japanese car manufacturers into EEC markets. Back Page

● SELECTIVE regional assistance schemes may have been successful in creating only two-thirds of the jobs the Government had hoped, a Commons committee has been told. Page 8

● SCOTLAND has been receiving a disproportionately large and increasing share of U.K. industrial investment. Page 3

● GENERAL ACCIDENT pre-tax profits for the whole of 1977 rose from £42.8m. to a record £70.2m., following a reduction in underwriting losses from £17.6m. to £6.3m. Page 24 and 25

● CREDIT SUISSE reports a Sw.Frs 33m. increase in net profit to Sw.Frs 338m. for the whole of 1977, after writing off Sw.Frs 1.2m. to cover losses from the Chasso affair. Page 29

Warning from oil producers renews pressure on dollar

BY OUR ECONOMICS AND FOREIGN STAFF

THE DOLLAR yesterday came under intense pressure again on foreign exchange markets as oil producers and some European surplus countries reacted to the currency's continuing fall.

The main developments yesterday were:

- 1—A warning by Kuwait that it might call for an extraordinary conference of oil producers to protect their earnings if the decline in the dollar continued;

- 2—The extension of Swiss negative interest rate rules on non-resident deposits to include foreign central banks in a further effort to combat inflows; and
- 3—Cryptic remarks by the West German Economics Minister about a possible further fall in the dollar to DM1.80.

However, there were no signs that the U.S. Administration was intending to change its position of intervening only to smooth disorderly market conditions. The weakness of the dollar late on Tuesday continued yesterday morning with a drop below the DM2 level for the first time. The rate touched a low of DM1.9675 before recovering to DM2.0150 at the close, compared with DM2.0170.

There were similar fluctuations against the Swiss franc. At first the dollar fell to Sw.Frs 1.7550 from the Tuesday close of Sw.Frs 1.8275 before recovering to Sw.Frs 1.81 after the Swiss National Bank's interest moves.

Intervention by European central banks was reported, although the late recovery of the dollar may have been more a reflection of profit-taking.

Dealers said that even by current standards of a very nervous market yesterday's conditions were quite exceptional with currencies moving through wide ranges in a matter of minutes.

The fall in the dollar has resulted in increasing concern in recent weeks in the oil-producing states and action by them to raise their prices seems probable after the latest Kuwait move.

After a meeting with the Emir, Sheikh Ali Khalifa al Sabah, Minister of Oil was quoted as saying: "In case the current shipwreck of the dollar continues, Kuwait will take the initiative to call for an emergency meeting of Ministers to discuss the dollar's position as well as whether to continue the current freeze of oil prices or to decide on price hikes."

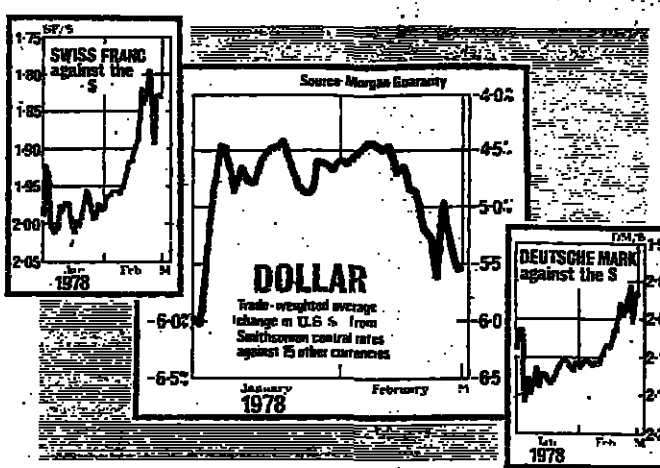
Recently there have been indications from Saudi Arabia and Iran that they would not consider some compensation for the erosion in purchasing power of oil revenues—denominated in dollars—as necessarily being counter to the price freeze in the first half of 1978 agreed last December.

The market has been concerned about a switch in pricing and payment for oil away from dollars to a basket of currencies, although the U.S. still has strong hopes that this can be avoided after the conversation in Paris in the middle of last month between the Saudi and U.S. Finance Ministers.

The view in Washington yesterday was that the dollar's position as well as whether to continue the current freeze of oil prices or to decide on price hikes.

Some IMF staff suggest that the Russians may think that the Fund could help Eastern bloc countries if and when they are short of foreign exchange.

Although the Fund refuses to comment, it would almost certainly welcome more participation by Eastern bloc countries.



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OFFICIAL VISITS POLAND

Eastern bloc overtures to IMF

BY DAVID BELL

WASHINGTON, March 1.

POLAND, Hungary and Czechoslovakia have indicated that they may be interested in joining the International Monetary Fund.

Their approaches to the Fund are still in the early stages but a senior IMF representative is to visit Warsaw to explore Polish interest. Poland left the IMF in 1948.

Romania is already an IMF member, and the Fund is taking a cautious attitude about admitting more Comecon members.

Most contacts so far have been through third parties in Europe. Directors of several European Central banks and other senior monetary officials are understood to have been approached by the Poles.

Culminate

There is considerable speculation that the Soviet Union's attitude to these approaches, it is assumed here that none of the three countries would have gone as far as they have without at least tacit Russian approval.

Whether this would culminate in permission for Poland or the other two countries to join remains to be seen.

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MPs attack Howell on waterways

BY LYNTON McLAIN, INDUSTRIAL STAFF

A SECOND major row between the Government and the Commons Select Committee on Nationalised Industries came to a head yesterday with an attack on Mr. Denis Howell, Minister of State at the Department of the Environment, by the MPs who accused him of failing to understand the proper role of a nationalised industry.

The criticism comes in a report on the British Waterways Board. It follows a call from the committee for a radical re-think of Government relationships with State industries in its report last week on the British Steel Corporation.

Now the MPs are considering an across-the-board inquiry to see if present relationships with nationalised industries should continue.

Yesterday's report also called for the scrapping of Government proposals for reorganising Britain's canals, set out in a White Paper last July.

In addition, the MPs want Mr. Howell's Department stripped of all responsibility for the British Waterways Board. As a transport industry it should be run by the Transport Department.

The report says Mr. Howell's remarks to the committee investigating the way in which British Waterways Board discharges its duty revealed the charges of incompetence and lack of interest in the Board's affairs.

The MPs said, however, that should they find similar examples of mutual distrust, Parliament will need to consider very carefully whether the present statutory relationship of Government and nationalised industries should be allowed to continue in its present form.

Yesterday's report also said that Mr. Howell had by-passed the Board by deciding for himself the priorities for urgent canal maintenance.

On the potential of freight transport by water, there had been a "complete conflict of views" between Mr. Howell and the water industry on the one hand and the British Waterways Board and all other organisations on the other.

Witnesses from the inland waterways Association had questioned the accuracy of Government estimates of the freight carried. There may have been a seven-fold error.

The committee "greatly regretted" the Government's delay in making a firm decision on the Sheffield and South Yorkshire scheme for improving freight capacity.

The delay was "symptomatic of the dilatoriness" of the Department of the Environment's attitude to the waterways. The scheme must be regarded as a test case of the Government's approach to the canals.

Last week, the committee's British Steel report condemned the apparent lack of communication and mutual confidence between the Government and the industry.

The inland waterways Association welcomed the report, saying its recommendations could form the basis for a sound future for the waterways.

Mr. Howell will not be making an immediate public statement on the report, the environment department said last night.

"This is a Parliamentary report and Mr. Howell will make any observations he has on it in Parliament," the department said.

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Editorial comment Page 22



Mr. Howell, criticised.

between the corporation and the Industry Department. Mr. Eric Varley, Industry Secretary, was accused of not taking proper action to solve BSC's problems.

Now MPs have blamed Mr. Howell for interfering too much in the affairs of the British Waterways Board.

Mr. Russell Kerr, the committee chairman, said: "We may be rich both times. Sometimes a Minister puts his ear in too deep. Sometimes he does not put it in when he should."

The committee plans to wait for the Government White Paper on the nationalised industries before deciding whether to conduct an across-the-board inquiry.

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Mrs Gandhi seeks merger of Congress Party factions

BY K. K. SHARMA

NEW DELHI, March 1.

MRS. INDIRA GANDHI, riding high on her success in India's state elections, indicated clearly today that she wanted to see a merger between the fast disintegrating official Congress Party and her own faction.

Speaking to newsmen here, she left little doubt that she had now set her sights on returning to power as Prime Minister.

In an attempt to re-establish her position, she all but disowned Sanjay, her controversial son, who was largely held responsible for her defeat in the general election last March and whom she now seems to recognise as a political liability.

In reply to a question, Mrs. Gandhi said Sanjay was no longer in politics. She also agreed that the use of official machinery to build up Sanjay as a national leader during her period of emergency rule had been "improper."

Mrs. Gandhi's faction of Congress has won absolute control in the southern states of Karnataka and Andhra Pradesh.

In Maharashtra, where the

Janata Party has emerged with the largest number of seats in the state assembly, she is hoping for a coalition with the official Congress and various smaller parties.

Her attempts to reunite the Congress Party to-night received a boost when the party's working committee appointed Mr. Swaran Singh, a former Foreign Minister in Mrs. Gandhi's Cabinet, as the party's new president.

He replaces Mr. Brahmananda Reddy who resigned on Monday after the scale of defeat in the state elections became clear.

Mr. Swaran Singh will presumably act as an intermediary in any negotiations.

Mrs. Gandhi's moves to bring the party together are being strongly opposed by many in the Congress as well as by the governing Janata Party leaders who fear a split in their own ranks.

At her Press conference to-day—the first she has held since being voted out of power almost

a year ago—a supremely confident Mrs. Gandhi staked a claim to being the "only opposition" in the country and also to enjoying the support of the people throughout India.

Citing not only the States where her faction had done well in the recent elections, she claimed evidence of support in the Hindi-speaking belt of the North. This was her former stronghold but also where she suffered her most humiliating defeats in March.

Mrs. Gandhi said she had no immediate plans to contest a by-election to Parliament and preferred for the moment to remain "where I am more useful."

Her plans were to meet the people and take up their demands.

She said the kind of situation that led to the declaration of the emergency "would not arise again in a thousand years." But she stoutly defended her decision to declare the emergency and not to resign after the Allahabad High Court declared as void her election to Parliament.

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Shelton men called to talks

BY PAULINE CLARK, LABOUR STAFF

SHOP STEWARDS at British Steel's Shelton works near Stoke-on-Trent are being called to London on Monday when the closure of the bulk of the plant is likely to be discussed.

The Shelton stewards have been told by their unions and MPs that it is important for them to stand by when the TUC Steel Industries Committee meets with Mr. Eric Varley, Industry Secretary.

The meeting could be the last to take place between union leaders and Mr. Varley before he makes his long-awaited statement on the future of British Steel. It is thought that a major part of the Shelton works may lose the reprieve it would have had under the plan drawn up by Lord Beswick, the former Labour Minister.

Mr. Ted Smith, chairman of the action committee—which has successfully fought off closure for several years—said yesterday that with more than 2,600 jobs at stake, the future of an entire community was under threat.

"We have lived for eight years under this cloud and our nerves are raw," he said.

He made it clear that in any fight for survival the committee would place strong reliance on the wording of the agreement reached between leaders of the Iron and Steel Trades Confederation and BSC last Wednesday on union co-operation with advanced closures of the so-called Beswick plants.

Co-operation was pledged on helping to bring forward "permanent" closures and this, the committee argues, should not work.

apply to Shelton in view of the salvaging operation agreed in April last year under which an electric arc furnace would be used for iron and steel-making.

Shelton iron and steel making operations were on the original Beswick list. But under April's electric arc furnace plan it was agreed with the shop stewards that only 800-900 jobs would be lost because of the transfer of labour from iron making to the new plant.

With no sight yet of the electric arc furnace and with the Government looking again at BSC's capital expenditure, it is possible that only the rolling mill at Shelton will be allowed to remain employing 1,000 people, or less than half the original workforce.

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For latest Share Index: phone 01-246 5036

Where did a £2 million hole yield 30 sestericii?

On the site of Angel Court. The City is an historic place, as we discovered when we prepared the foundations for this development. Medieval debris, Saxon artefacts, and finally 30 Roman Sestericii were uncovered.

Angel Court is a new landmark in EC2 offering 19 storeys of air-conditioned office accommodation. The development

EUROPEAN NEWS

GEORGES MARCHAIS

The talkative king of the silent screen

BY ROBERT MAUTHNER IN PARIS

M. GEORGES MARCHAIS, the dapper and pugnacious leader of the French Communist Party, will never be short of a job even if, as sometimes happens in his trade, his comrades one day decide to give him an iron bandage. There will always be an opening for him in the theatre, for his performances on television during the general election campaign have established him as one of France's great comic actors.

While most people have quickly tired of the interminable political debates on TV, they will switch on their sets when M. Marchais is due to appear, for pure entertainment. Prime Minister Raymond Barre himself has admitted to being a fervent TV fan of the Communist leader, though he is often the butt of M. Marchais' most vicious barbs.

The technique is that of the silent screen, though M. Marchais, who rarely allows his debating opponents or questioners to get a word in edge-ways, can hardly be accused of lacking eloquence. Like the Ancient Mariner, he fixes his unhappy victims with a glittering, blue eye and holds them until he has made his point, after which he sits back with a wolfish grin of menacing self-satisfaction.

His perfectly-timed feigned rages, his tirades against the iniquities of capitalism and the broken voice and moist eyes when he speaks of the poverty and appalling living conditions of the working class may not

carry much conviction, but they are a joy to watch. With a range of exaggerated facial expressions worthy of Oliver Hardy, M. Marchais can personify outrage like no-one else on the French political stage.

However, it would be quite wrong, to conclude from all this that M. Marchais is not taken seriously in France. Both friend and foe have a healthy respect for this 57-year-old former metal

After and trade union official, who has proved to be a consummate political operator. While it is certainly true that his opponents, since the very beginning, have not at any price, the interests of his own Party have always been given priority and, when

one questions his abilities as an organiser and leader, his stubborn devotion to promoting the interests of his own Party and his capacity to survive political setbacks.

Elected Secretary-General of the French Communist Party in December 1972, M. Marchais has, in fact, been the effective leader of the Party since 1969 because of the long illness of his predecessor, M. Waldeck Rochet.

The Union of the Left, in spite of all appearances, to the contrary, has been one of the cornerstones of his political strategy, since the very beginning. But all along to wage a battle on not at any price, the interests of his own Party have always been given priority and, when

they clashed with those of the Socialist-Communist alliance, he has not hesitated to make his partners suffer or even throw the whole enterprise into the balance.

It would be a mistake to believe, however, that the many somersaults which the Communist Party has turned in recent years, its constant harassment of the Socialists and the intransigent line it took in last year's abortive negotiations on updating the Common Programme were merely the result of the Communist leader's personal whims.

M. Marchais has been obliged all along to wage a battle on several fronts.

The adoption at the 22nd Party Congress in February, 1976, of

a liberal Eurocommunist line was much too sudden for the taste of many of its older members, who had been brought up in a Stalinist mould. The Party was losing its soul, they felt, and would soon become indistinguishable from the Social Democratic movements which they had always despised and distrusted.

The need to ensure that the Communist Party retained its own specific following in the country, in spite of its alliance with the Socialists and Left-wing Radicals, and that it would be strong enough to talk on equal terms with its partners in a Government of the Left, has been at the root of all the endless Socialist-Communist quarrels.

That is why, at the beginning of this year, M. Marchais posed such tough conditions for Communist participation in a Left-wing Government. The Communists, he said, must obtain at least 21 per cent. of the popular vote in the first round of the election on March 12 and a firm agreement on an updated Common Programme must be reached before the vital run-off a week later. Otherwise, they would not make an electoral pact with the Socialists between the two rounds, under which they would stand down in favour of their partners in all constituencies in which the latter were in the lead after the first round.

In making these demands, M. Marchais has taken a very big gamble—probably the biggest and most fateful of his long and

eventful career. For M. Francois Mitterrand, the Socialist leader, showing remarkable coolness, has refused to bow to Communist pressure. The Government programme will be re-negotiated after the election is over and not before, he has emphasised. If the Communists refuse a purely electoral pact between the two rounds, they must take the responsibility for the probable defeat of the Left in such conditions.

Faced with the Socialists' implacable stand, M. Marchais has during the past few days, begun to modify his position. He no longer insists that the Communists must obtain more than 21 per cent. of the vote in the first round before joining a Government of the Left and, instead of demanding a detailed agreement on the Common Programme before the second round, he is now talking in terms of a much vaguer "political agreement."

Indeed, M. Mitterrand has neatly turned the tables on his difficult and volatile partner. If M. Marchais persists in his attitude, he will be saddled with all the odium of losing the election for the Left, not only by the Socialists but by a large section of the Left-wing electorate, including many of his own supporters. On M. Marchais' "right choice" to use a phrase dear to the heart of President Giscard d'Estaing, depends not only the outcome of the election but probably his own future as leader of the French Communist Party.

Signs of left-wing compromise

BY OUR OWN CORRESPONDENT

FIRST SIGNS of a compromise between the warring Socialist and Communist parties have begun to appear following a significant concession by M. Georges Marchais, the Communist leader.

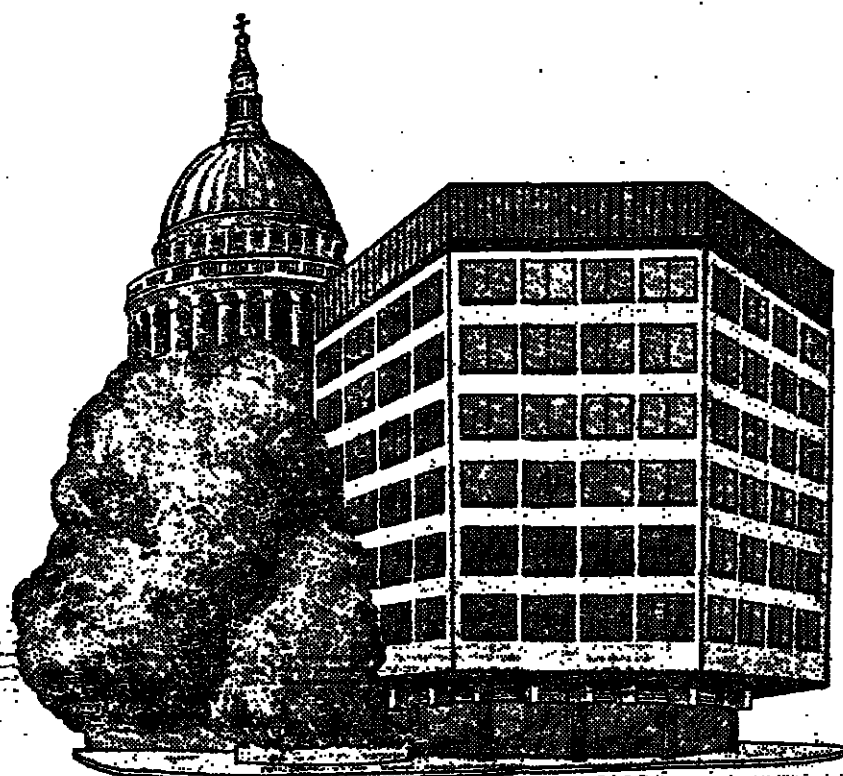
An electoral pact under which the two parties would support a joint candidate in the second round of the general election is generally considered to be an essential precondition of victory for the Left. Until yesterday, only the

Socialists undertook to stand down in favour of leading Communist candidates after the first round; the Communists said they would reciprocate only if agreement was reached on a common government programme.

M. Marchais has now suggested, however, that agreement on the common programme could be reached on the basis of proposals made by the Socialist-orientated CFDT union which are a mixture of the Socialist and Communist positions.

The main element concerns the nationalisation programme of the Left. The CFDT proposes that, in addition to holding companies of the nine biggest industrial groups, all their subsidiaries in which they have more than a 50 per cent. stake, should also be nationalised. This compares with the Communist proposal under which all subsidiaries would be nationalised in which parent companies have more than a 50 per cent. stake and the Socialist proposal which covers only wholly owned subsidiaries.

PARIS, March 1.



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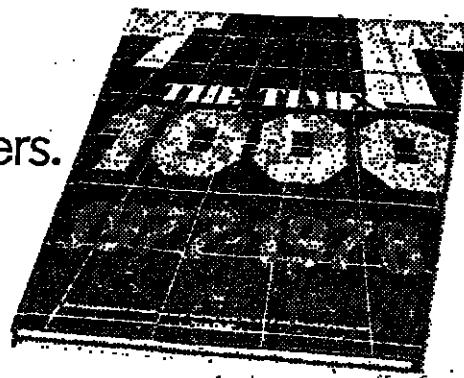
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THE FRENCH ELECTIONS

Russia doubles cost of petrol and trebles coffee price

BY OUR FOREIGN STAFF

THE SOVIET UNION has doubled the price of petrol and trebled the cost of coffee in the second price packages to be imposed within a year.

The Chairman of the State Prices Committee, Mr. Nikolai Glushkov, said the measures were designed to offset the soaring costs of oil extraction and the higher prices on world commodity markets. The Soviet Union has already passed on to its East European customers some of the higher oil extraction costs by raising the price of exported crude.

The latest increases will be followed by price cuts on some consumer goods, mainly older lines of television receivers and refrigerators. A similar approach was used last year in announcing increases in air, taxi and sea fares, which were also a result of higher oil costs. Certain brands of underwear, shoes and electrical appliances were reduced in price to soften the blow.

Petrol will now go up from between 8 and 10 kopecks per litre to between 16 and 30 (about 21p and 36p) and the cost of coffee beans will treble in cost to 20 roubles a kilo (about £26).

Mr. Glushkov said the petrol rises followed the requests of

of coffee last year, compared with 60,000 tonnes in 1975, because of high world coffee prices. Soviet planners have been tackling the problem of world prices by withdrawing bulk of expensive goods from sale or limiting it to special foreign currency shops. But, from yesterday, coffee at the new price was freely available.

Mr. Glushkov said that petrol rise would still leave it cheaper than in most of Western Europe and that it applied throughout the state, which he said accounted for about 95 per cent. of Soviet oil consumption. But some analysts in London, who say the increases would probably apply to vehicles involved in defence efforts.

Soviet officials have traditionally been reluctant to admit a consumer bear the brunt of imported inflation, and Mr. Glushkov said that the price increases would not affect the man-in-the-street. But Mr. Glushkov was very present at a new conference—rare for Soviet Minister—indicating extreme sensitivity of price increases.

Since the workers' riots in Poland, the authorities in Moscow have been careful to minimise the significance of price increases, and the problem of consumer welfare has been repeatedly emphasised in speeches by the Soviet leaders.

He said that the Soviet Union had imported only 40,000 tonnes ship.

INFLATION IN EAST EUROPE

The subsidy spiral

BY LESLIE COULT IN EAST BERLIN

EAST EUROPEAN governments feel increasingly fenced in by their rigid price system which is causing them to spend ever greater sums to subsidise certain consumer prices while the costs of imported energy and raw materials rise inexorably. Selective increases in consumer prices, however, while favoured by many Eastern economists, are being put off by Communist party leaders who fear the public reaction to higher prices.

The Polish uprising of 1970 and the riots in Poland in June 1976 over planned food price increases first brought the price dilemma into the open. A number of steps to put up with heavily subsidised prices have since been abandoned in Eastern Europe and only Hungary has allowed prices on a number of basic consumer goods to rise.

"Why is it that people in Western countries don't blame their Governments every time meat or petrol prices go up?" one East European official here (complains). His query is rhetorical since he is well aware of the answer. The price of every good and service in a Communist country is laboriously worked out by the Price Office together with the Council of Ministers, the Ministry of Finance and the State Planning Commission. Changing any price involves a delicate balancing act since East European Governments base their fixed, and often heavily subsidised prices on political, social, and only lately, economic reasons.

Although the theory of consumption of the subsidised Socialist price formation fills bookshelves here in East Berlin a clearer picture is provided by looking at the actual prices of goods and services.

The 1976 East German budget showed that 13bn. marks were spent to subsidise the cost of basic consumer goods and public transport. This amounted to 780 marks per citizen and the subsidy is said to have risen by 8 per cent. last year. A further 4.6bn. marks was spent in 1976 largely in subsidising apartment rents. Billions more are paid to East German industry to keep electricity and gas prices low.

Cheap bread

A walk through East Berlin's central market in the Liebknecht-Strasse quickly reveals which goods are subsidised. A kilo loaf of bread, for example, costs 62 pfennigs (about 15p), a price that has been held since 1952. One clue to the extent of the subsidy is provided by the price of flour which is 132 marks a kilo-bag while a kilo loaf of white bread sells for over East Germany for one mark.

Red and white cabbage is also cheap at 45 Pf a kilo along with onions at 1 mark a kilo. This, however, exhausts the winter-time selection of vegetables in East Germany. Small-brained apples sell for 225 marks per kilo while citrus

fruits, which must be paid for in hard currency, cost 4 marks for a kilo of oranges and 5 marks for a kilo of bananas.

Over at the butcher's counter pork chops sell at 8 marks a kilo and beef at 9.88 marks a kilo, the same price as in the 1950s. On the fish stand halibut goes for 1.80 marks for 500 grammes.

The price for an unsubsidised pound of coffee is 42 marks (10) and for a pound of coffee from West Germany 62 marks (15).

Low octane petrol costs 150 marks (40p) a litre. High octane sells at 160 marks (40p) a litre. Gas for cooking is 180 marks (45p) a kilo.

Shoes are also subsidised. Men's and women's leather shoes here sell for anything from 7 to 67 marks depending on their style, something which all of them lack. Children's clothes are heavily subsidised while adult clothing is not. A poor quality suit of shiny artificial fibre costs 320 marks.

Revenues

These price subsidies are financed by revenues from the high state tax on nearly all durable consumer goods in East Germany. A medium-sized refrigerator for example, sells for 1,375 marks and a small washing machine costs 1,900 marks. E. Germany's two-stroke Wartburg car is sold for 18,000 marks and delivery is five or six years after the order has been placed, and the purchase sum paid.

The system feeds on itself as Socialist price formation fills products and services (haircut, bookstall, shoe hire) in East Berlin a clearer picture is provided by looking at the actual prices of goods and services.

Imported goods, especially if they are from the West, are the most difficult items to price for a Communist country. In E. Germany the rule of thumb is that any Western product should sell for three to four times its retail price in the West. Recently Germany bought 10,000 VW Golf cars to be paid for by E. German machinery and components.

E. Berliners who heard about the trade deal on W. German TV rushed to the city's sole car showroom, and were told that if they already had an E. German or E. European car on order they could switch to a VW Golf. The car would cost between 29,000 and 33,000 marks—that is three times its price in West Germany. E. Germans grumbled about being fleeced once again by the government and this time the indignation was so widespread that the government suddenly reduced the price of the car by one-third a few weeks ago. Buyers who had got delivery of the car at the old price even got a refund. All of this extemporaneous pricing took place without an official word from the E. German government or the Price Office.

SOCIETE BANCAIRE ARABE

The Committee of Banks has given authorisation to SOCIETE BANCAIRE ARABE, a Limited Company with a capital of Frs. 10 million, to operate as a Deposit Bank.

The initial capital was subscribed by Arab and French groups. The first Board of Directors is made up as follows: Mr. Marc Hannoutin, President; Mr. Bahadine Bassatine, Vice-President; Mr. Jean Escande, Vice-President; A.I.D.I. represented by Mr. Marwan Iskandar; S.E. Doctor Elias Sabar; Mr. Patrice de Corgool—President of Banque de l'Union Occidentale; Mr. Harb Al-Zuhair; Mr. Wiam Shammam; Mr. Robert de Beauvoir—Managing Director and Board Director of Banque de l'Union Occidentale; Mr. Wissam Ezzedine; Mr. Sami Kamar.

France asks the EEC for temporary MCA freeze

BY ROBERT MAUTHNER

PARIS, March 1.

FRENCH Government asked today to ask the Council of Ministers, due to meet in Brussels on Monday, to freeze temporarily the monetary compensation amounts (MCAs) set on agricultural prices of livestock in exchange rates within the Community.

After the Cabinet's decision, M. Pierre Messmer, left minister for Agriculture, told the European Commission his Government's request.

The Government spokesman, Pierre Hunt, said that the only observed erratic variations in MCAs were entirely justified by the economic situation. The French President M. Valéry Giscard d'Estaing had urged the Government to take all necessary steps to protect such farmers until the end of the electoral period and until they had been fixed for the next year.

The Government clearly fears the uncertainty about the outcome of the election on March

12 and 18, coupled with the current tensions on currency markets, could produce fluctuations in the exchange rate of the franc which would seriously affect French farmers' incomes.

France also expects the Council of Ministers to put an end to "particularly serious distortions" in the pigmeat sector and has taken several unannounced unilateral measures in anticipation of agreement in Brussels.

Apart from these measures, the Cabinet stressed the need for the progressive abolition as soon as possible of all monetary correctives applied to agricultural trade in the Community.

Margaret van Hattem adds from Brussels: Commission sources confirmed that a request for a one-month freeze on MCAs was being discussed. They indicated that while the Commission was unlikely to agree to a month's freeze it might well concede a lengthening of the period for which the amounts are calculated, at least until after the general election to iron out the effects of erratic currency fluctuations. Thus, instead of calculating French MCAs on a weekly basis,

this might be done every 10 or 14 days.

The Commission appears sympathetic to the French argument that during the run-up to the elections, foreign exchange rates are likely to move in an artificially erratic manner, and that agricultural producers and traders should be protected to some extent from these moves. Moreover, several member states have long supported the view that a week is too short a period for MCA calculation.

However, the Commission is also aware of the political nature of the request and is likely to take this into consideration.

Uncertainty over the agrimonetary situation is also affecting EEC commodity markets, in particular the sugar market where the amount offered at this week's tender dropped to 20,000 tonnes from 60,000 last week.

This Brussels source suggests, is mainly due to the withholding of supplies by French traders reluctant to commit themselves to contracts until the situation stabilises.

Price review proposals, Page 39

IG-Metall orders ballot on strike

By Jonathan Carr

BONN, March 1.

WEST GERMAN metalworkers in two key regions will vote next week on whether to strike, following the breakdown of wage negotiations and of official efforts at mediation.

The vote was authorised in Frankfurt to-day by the national executive of the IG Metall following application by the regional organisations in North Rhine-Westphalia and North Württemberg-North Baden. Some 1.6m. metalworkers are employed in these areas from a national total of almost 4m.

The vote by secret ballot will be held on Tuesday and Wednesday. At least 75 per cent must be in favour to permit a strike to occur, and it is felt likely that this support will be forthcoming. However, industrial action can still be avoided even after that should any new, unofficial mediation offer emerge.

In both regions the union has been officially demanding wage increases of 8 per cent. What is needed now is a new element to permit unions and employers to bridge the difference without losing face.

Meanwhile, the dispute in the printing industry over the introduction of new technology continues to-day with no sign of early resolution. Employers warned they would respond with widespread use of the lock-out weapon should the union continue its tactic of strikes at key selected printing centres. The lock-out has already been employed in Munich.

The union wants further negotiations on introduction of electronic, cold-type printing technology. The employers note that a draft agreement, which the union helped prepare, was reached 18 months of talks. They feel this accord contains the most generous terms they can offer.

Partly because of this, and partly because all EFTA countries have a free trade agreement with the Common Market, the six EFTA steel suppliers are required only to disrupt "the normal pattern of trade." In 1976 their exports to the EEC amounted to 2,56m. tonnes, and in the first nine months of last year to 2m. tonnes. The 3 per cent required by yesterday's agreement not to change radically the product range, or destination within the EEC, of their exports.

The hardest negotiations still lie ahead. Japan is demanding a penetration margin of at least 5 per cent below EEC prices for its exports to Europe, and the Commission, for its part, intends to hold Japan to precise figures on quantities, which would involve a cutback from 1976 and 1977 levels. Politically, the most difficult problem concerns Comecon, of which only Romania has shown itself willing to talk about restraint with Brussels.

Cutbacks in steel exports to the EEC might mean reduced hard currency earnings for Eastern bloc countries to pay for Western goods. For this reason, the West Germans are understood to be putting pressure on the Commission to go relatively easy on the Comecon countries.

Submarines may be sold to Iran

By Jonathan Carr

BONN, March 1.

WEST GERMAN ship-builders appear close to the sale of six submarines to Iran—a deal estimated to be worth more than DM1bn. (£246m.). The government has made clear in advance that it will not have the sale on political grounds.

The news emerged to-day in a roundabout way from the Defence Ministry. It confirmed that a delegation has been in Tehran to discuss prospects for training Iranian crews for submarine service.

Further investigation showed that the crews would be for six vessels delivered by West Germany, provided that negotiations for a sale were successful. It was also revealed that, in May last year, the government had been responsible for vetting exports of military material had said that it would not raise objections if an accord with Iran emerged. It was replying to a query from a German ship-building concern, the identity of which was not disclosed.

This would not be the first submarine export by West Germany. Last December, the Cabinet approved an export credit guarantee of DM333m. for delivery of one to Argentina.

Plant for Italy Moon Brothers has won an order from one of Italy's main motor vehicle silencer manufacturers. The company is to supply a fully automatic line for the production of vehicle silencers to the Turin plant of Cromodora of the Gilardini group, a supplier of Fiat. This latest order, worth more than £400,000, takes exports of Moon Brothers' silencer equipment during the past 12 months to £1.75m.

Italian ruling party still undecided on Communists

BY DOMINICK J. COYLE

ROME, March 1.

AGAINST THE background of a renewed Communist demand for an "early and clear-cut decision," the central committee of Italy's Christian Democrat (DC) Party was meeting here to-night to decide whether to accept the Communists in a governing majority for the first time in more than 30 years.

The DC leadership itself is almost as divided as the parliamentary party showed itself to be in a two-day joint session of its 400 deputies and senators.

Tonight's meeting was faced with limited alternatives. The leadership can refuse any formal collaboration with the Communists, making elections almost certain.

Alternatively, it can agree to some informal parliamentary alliance with the Communists and risk an open revolt by nearly half its parliamentary party.

The third possibility is to try to protract further the negotiations on a new administration which Sig. Giulio Andreotti, the DC Prime Minister-designate, has been holding with the Communists and the other main opposition parties.

The PCI leadership had originally demanded a share of Cabinet seats in the new administration. But this ultimatum was dropped subsequently and replaced with a demand that the Communists would have to be accepted in a new parliamentary majority if another Christian Democrat administration was to be sustained in Parliament.

With a number of groups in the party threatening revolt against any meaningful concessions to the Communists, the DC leadership to-night was facing what is certainly its worst crisis in 30 years. The PCI is pressing

for another early meeting between Sig. Andreotti and leaders of the main opposition parties on a new government. The minority Andreotti administration resigned on January 16 after the PCI and the smaller Socialist Party had withdrawn their tacit support in Parliament.

Among the limited manoeuvres being canvassed here to-night was that Sig. Andreotti himself might be persuaded by his party's leadership to report to

Sig. Mario Barone has been reinstated as co-managing director for foreign affairs of Banca di Roma, the bank told Reuters in Rome. He had stepped down last year pending judicial clarification of his position in relation to an inquiry into the Sindona affair.

President Giovanni Leone has failed to reach broad all-party agreement, leaving it with the President to nominate another Premier-designate.

Such a formula would at least buy for the Christian Democrats additional time to face up to the Communists' challenge, although top DC leaders were insisting publicly that they were against changing candidates for the premiership at this time.

Italy has repaid the final SDR300m. due on its 1974 SDR1.2bn. IMF standby loan, senior banking sources told Reuters.

Early next week Italy is expected to repay \$500m. to the West German Bundesbank on its gold-backed loan originally contracted in 1974, leaving \$1bn. to be repaid in September.

TURKEY'S DEVALUATION

Putting the house in order

BY METIN MUNIR

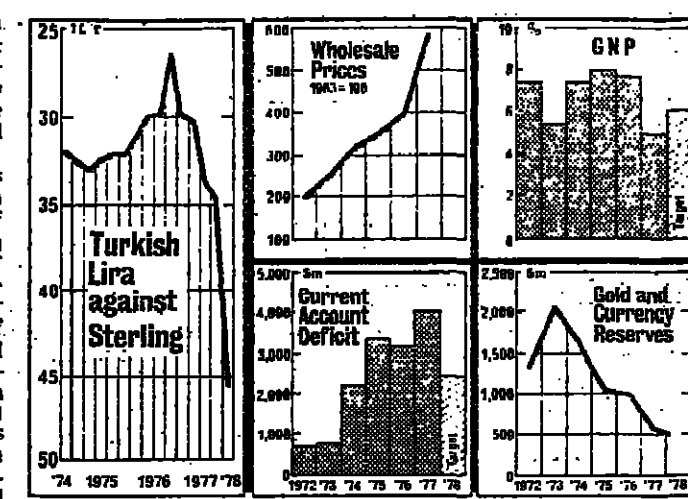
ANKARA, March 1.

WITH TO-DAY'S devaluation, Turkey has completed the basic elements of its austerity programme and is now ready to resume negotiations with the International Monetary Fund (IMF).

A delegation from Ankara is expected to visit Washington in a few days to sign a letter of intent with the Fund, which will put the long-awaited IMF seal of approval on the austerity package. A major operation to bale Turkey out of its economic crisis is expected to get underway almost immediately, with \$1bn. coming through a consortium of international banks alone. Some states which have major stakes in Turkey and the recently reactivated consortium of aid to Turkey are also expected to rally round.

The announcement of the devaluation almost coincided with the first anniversary of the day Turkey ran out of hard currency and stopped paying for imports outside the strategic and emergency category. Unpaid imports last year probably exceeded \$1.5bn. and the country has defaulted on more than \$400m. worth of bankers' loans. Another \$1bn. of such debts will mature this year.

These figures alone demonstrate the depth of the crisis facing the Government. But there are



many others: the current account deficit last year was a staggering \$4bn. and the rate of inflation an even more staggering 40 per cent.

It will probably take the Turkish Prime Minister, Mr. Bulent Ecevit, at least two years to clear the rubble and put the economy on its feet. His brief term in office has demonstrated that, contrary to the belief prevalent among the business community, the 52-year-old Left-of-centre politician has the courage to do it.

The root of the problem facing Turkey is simple: exports are just about enough to pay for crude imports. What to do about the rest? Cutting down imports is not easy because virtually all Turkey's imports are investment goods or raw materials. Thus, limiting the imports is tantamount to limiting growth.

The most crucial task is to boost exports and raise hard currency revenues from other sources like tourism and expatriate workers' remittances. In January, exports totalled \$161m., 16 per cent higher than last year.

almost half the figure for 1976. The fact that this figure was so low can be attributed to the expectation of a devaluation. Exports are expected to rise slowly now. It will however be a long time before Turkey ceases to have a balance of payments deficit.

The export target this year is \$2,550m., which is probably too ambitious. At \$5bn. the import figure is a little above the level recommended by the IMF.

Although the austerity package is nearly completed, a lot of work remains to be done. The Government must continue to keep a tight grip on the money supply, and restrain wages and prices paid for agricultural commodities. For the longer term there needs to be tax reform since State revenues could possibly be doubled by preventing tax evasion.

Mr. Ecevit has made a start by adopting the recommendations put forward by the IMF. Dialogue with the IMF has been in progress since last autumn but suspended since the government change. GNP growth has been fixed at 6.1 per cent. Total investments in 1978 will be around \$88m. It is planned to keep the volume of consumption at last year's level of \$27m. Public revenues are expected to \$55bn. 16 per cent higher than last year.

Spanish credit offer

BY OUR OWN CORRESPONDENT

MADRID, March 1.

THE BANK of Spain is to make available two credits of Ptas20bn. each (\$128m.) for private banks over a period of six months at an interest rate of 8.25 per cent, a quarter of a point higher than the normal rate.

The announcement, which was confirmed to-day, is in line with similar credits made available in February and in accordance with the Moncloa Pact between the government and political parties.

Interest shown by banks in the Central Bank's loans has so far not been as great as expected. Last month, for example, the Bank of Spain offered a loan of Ptas30bn. over three weeks and banks only borrowed Ptas13.8bn. of that amount. This reflects the recent sharp drop for credit by companies, unwilling to expand at this delicate time, but it is partly the result of the continued high interest rates of

the Central Bank which is dampening demand. Reuters reports from Bilbao: Basque separatist guerrillas launched seven bomb attacks to-day on offices and installations of the Iberduero electric company building a nuclear power plant in the Basque country, police said.

The guerrilla group ETA claimed responsibility for the bombings in telephone calls to newspapers and said the attacks would continue. No one was hurt by the blast.

Schiphol traffic up

Schiphol Airport handled more passengers and freight last year and slightly reduced its net loss to a provisional Fls13m. from Fls18.8m. the year before, but it is partly the result of the continued high interest rates of

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Belgian linguistic tension

BY DAVID BUCHAN

BRUSSELS, March 1.

A MAJORITY of Belgians accept that linguistic warfare between the country's French and Dutch speaking communities will continue, according to an opinion poll in to-day's Belgian press.

Yesterday Mr. Leo Tindemans, the Prime Minister, put to parliament his Government's "historic" plans to reduce such tensions by turning Belgium into a federal state in the 1980s, with cultural, economic and political autonomy for both communities.

According to the poll, 51 per cent of all Belgians feel that Mr. Tindemans' devolution plan will not remove the country's linguistic tensions. Taken as separate communities, the Flemish are the gloomier: 57 per cent of them see no lasting solution coming from the proposed legislation, compared with 53 per cent of the inhabitants of the

bilingual city of Brussels and 42 per cent of the French speakers in southern Belgium.

This is not surprising, given that most of the opposition to the devolution has come from the Flemish who feel that any concessions on the status of Brussels will turn the capital into a purely francophone city. But the poll results as a whole are not encouraging for the Devolution Bill, whose passage through parliament will be difficult anyway.

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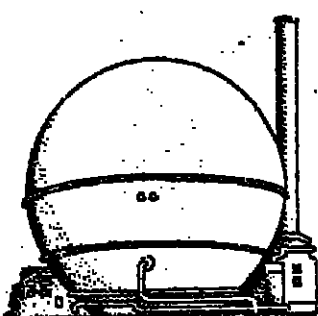
Guinea phone order

Ericsson Telephones of France

has won a Frs34m. (£3.6m.) contract to develop the telephone network of the Republic of Guinea (AP-DJ reports from Paris).

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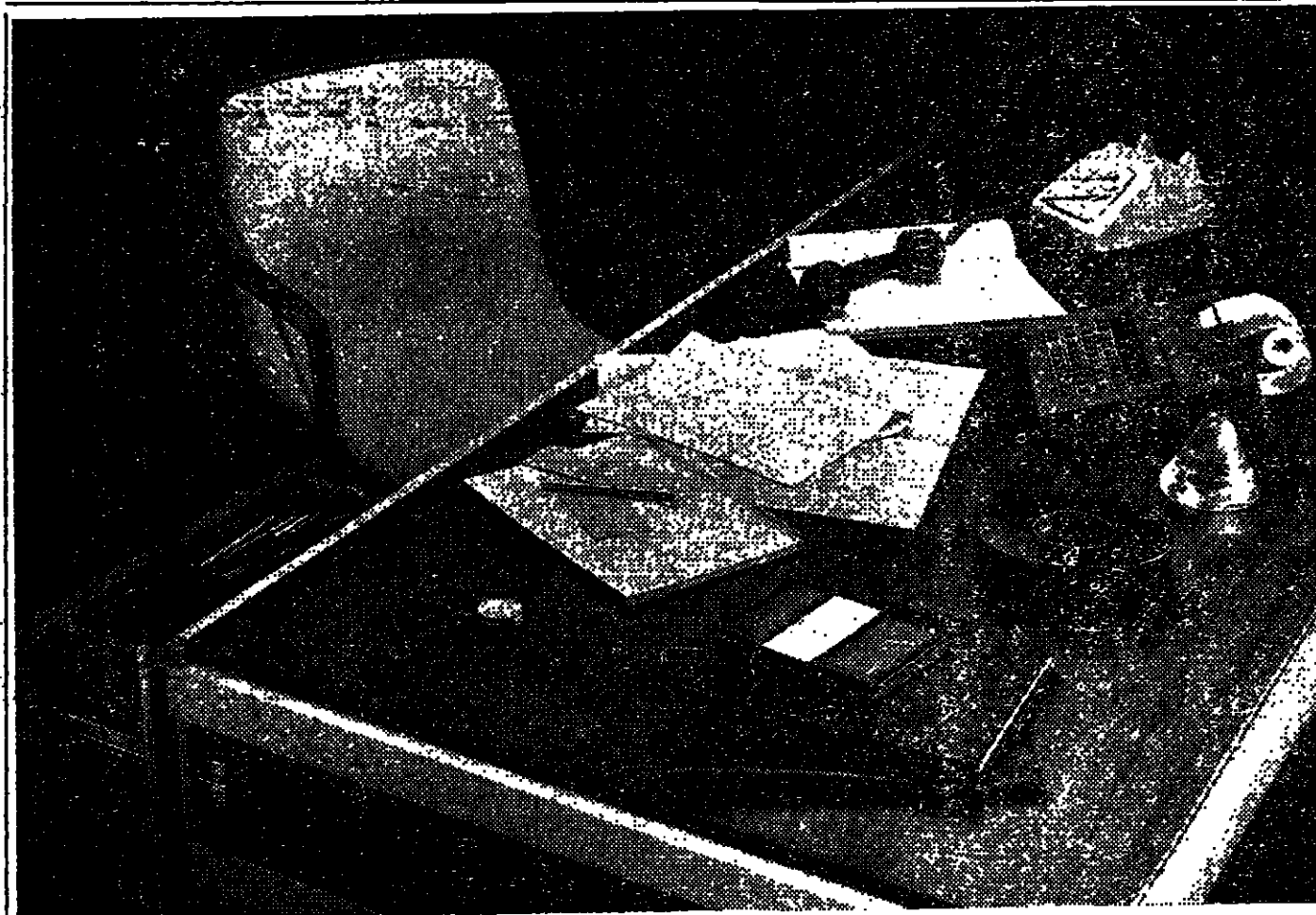
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OVERSEAS NEWS

Libya's intelligence chief
'purged for conspiracy'

BY HANAN HAJI

LIBYA's chief of military intelligence has been purged and a number of officers arrested after the discovery of a conspiracy to have the Libyan leader, Col. Muammar Gaddafi, and his second in command, Major Abdel Salam Jalloud, assassinated, according to the weekly magazine As Sayid today.

It said the purge of Captain Mohammed Idris Sharif took place on January 17 after Col. Gaddafi accused him of working for the U.S. Central Intelligence Agency. The alleged conspiracy for murdering Col. Gaddafi and Major Jalloud was for implementation during the first week of February, according to the story.

Captain Mohammed El Sayid, an air force officer, who is Captain Sharif's brother-in-law, was also arrested, along with a number of other officers at Libya's main airbase of Qadhafi Ben Nafah, the report said.

Captain Sharif has been banished to a remote spot some 200 miles from the Libyan capital, Tripoli, and placed under

heavy guard, the magazine said in its report. It accused the Captain Sharif of being very close to Col. Gaddafi and had wielded tremendous power. He was said to have been behind attempts to overthrow King Hassan of Morocco and President Jaafar Numeiri of the Sudan, as well as designs for the assassination of President Anwar Sadat of Egypt.

Atherton in talks

Mr. Alfred Atherton, the U.S. envoy, yesterday held talks with President Anwar Sadat as part of his attempt to break the Egyptian-Israeli deadlock over a comprehensive Middle East peace settlement. Reuter reports from Ismailia, details were not immediately available.

In Jerusalem Mr. Menahem Begin, the Israeli Premier, called on Mr. Sadat to renew talks in bilateral political and military commitments, stalled since January, but reiterated that Israel would reject any call either for its withdrawal from all occupied Arab territories or for the creation of a Palestinian State. He was addressing a meeting of the World Zionist Congress.

Tax on offshore
business in
Hong Kong

By Daniel Nelson

HONG KONG, March 1. PROFITS tax will be levied on interest generated by Hong Kong's rapidly expanding offshore business, the Financial Secretary, Mr. Philip Haddon-Cave, announced in his budget speech today. Legislation to take effect from April is expected to yield H.K.\$500 a year and 10 per cent of the net profit from such interest earnings. The post-tax profitability of banks will be reduced by this change, particularly banks with large net foreign currency positions.

Second, it would affect offshore business by banks and other institutions in which lending to non-residents is financed by borrowings from abroad. All profits on such business will be taxed in future.

Mr. Haddon-Cave predicted a 9 per cent growth in GDP in 1978 to H.K.\$10.5 billion, with 12 per cent in 1977. Exports were projected to grow 6 per cent (against 5 per cent in 1977) and imports 9 per cent (up from 8 per cent).

He expected private consumption expenditure to grow 10 per cent. Other budget measures include the removal of stamp duty from transactions and its reduction on share deals from H.K.\$5 to H.K.\$6 per mille, the raising of first registration tax on luxury and semi-luxury cars, and tax increases on tobacco which will add 6 cents to a packet of cigarettes.

Malaysian politician surrenders

BY WONG SULONG

MALAYSIA's most controversial politician, Mr. Datuk Razak, the convicted former Chief Minister of Selangor, today gave himself up to the police, ending a week of tense confrontation between his fanatical supporters and the authorities.

Since last Thursday, when about 200 youth supporters surrounded his luxurious home in Kuala Lumpur, refusing to allow him to go to jail, Malaysians have been watching the war of nerves between police and protesters.

For the past week, rumours had been flying around the city of an impending clash, and last night the city was deserted. For the bulk of the city's population—the Chinese—Harun's name excites fear, they remember him as the central figure behind events which led to the race riots in 1969, in which several hundred people were killed.

The former Chief Minister had tried desperately to avoid going to jail. He fought all the way,

in court and out of court, to prove his innocence, but lost. The final blow came when the federal court yesterday issued a warrant of arrest for him, and described his crimes as "unpardonable."

He was faced with the choice of either surrendering himself or fighting the police. Shortly before dawn today, he walked out of his house and gave himself up at the police roadblock, to begin his six-year jail term for corruption, forgery and criminal breach of trust against two banks.

His supporters later dispersed from his house, and there were unconfirmed reports that several of them had been detained by the police. Harun's conviction, 54-year-old Harun was one of the most powerful Malay politicians. He held two very influential posts—Chief Minister of Selangor state, and leader of the youth division of the ruling UMNO

party. But with the jail sentence, his political career is virtually over, as he will be barred from any federal or state elections for the next five years.

In 1975, Harun made the biggest miscalculation of his life when he refused an offer by the late Tun Razak to go to the UN as Malaysia's ambassador. He preferred to challenge Tun Razak to take him to court on corruption charges, confident that he knew enough skeletons in Razak's cupboard to deter him. But soon after Harun was charged Tun Razak died.

Harun was faced with a new Prime Minister, Datuk Hussein Onn, whom he knew was not corrupt, and who was determined to see the law take its course.

Throughout the Harun crisis, Datuk Hussein stood firm, taking all the pressure of Harun's supporters in his stride, and rejecting all advice from senior UMNO advisers to strike a compromise.

AMERICAN NEWS

No sign
of U.S.
policy
switch

BY DAVID BELL

WASHINGTON, March 1. TODAY'S sharp fall in the value of the dollar has once again caused concern in Washington, but there were no signs this morning that the Administration plans any change in its approach to the beleaguered American currency.

It is recognised here that the major problem facing the currency is one of confidence. For months now the dollar has been affected by the failure of the Administration to convince Congress of the need for an energy policy. More recently the coal strike and a series of disappointing economic statistics have done nothing to bolster confidence.

Perhaps more important than any of these single issues, however, is the feeling that the U.S. Treasury has failed to convince the markets that it means what it says. The Treasury view is that the U.S. should intervene to smooth out fluctuations and to halt "disorderly conditions," but that the underlying strength of the dollar is considerable and should be recognised as such.

However, it is realised, even in the Treasury, that in the present situation, it is not enough to reiterate this in the face of clear evidence that the markets are not inclined to believe it.

Some observers here believe that it may take the threat of OPEC pricing its oil according to a basket of currencies to persuade the Administration to take further action. In this respect the situation has not been helped by the fact that Mr. William Miller, the chairman-designate of the Federal Reserve, has not yet been confirmed to succeed Dr. Arthur Burns. The vacuum at the top of the Fed has been a further reason for the pressure on the dollar.

OPEC to act against earnings loss

BY RICHARD JOHNS, MIDDLE EAST EDITOR

ACTION by oil producers to raise their prices in real terms to take account of the continued depreciation of the dollar now seems probable following Kuwait's announcement yesterday that it might call for an extraordinary conference if the decline in the currency's value goes on.

After a meeting with the Emir of Kuwait, Sheikh Ali Khalifa al Sabah, Minister of Oil, was quoted as saying, "in case the current situation of the dollar continues, Kuwait will take the initiative in calling for an emergency meeting of oil and finance ministers to discuss the dollar's position as well as whether to continue the current freeze of oil prices or to decide on price hikes."

A crucial factor is the recent indication from Saudi Arabia and Iraq that they would not consider compensation for the erosion in purchasing power of oil revenues, necessarily to be

counter to the price freeze for the first six months of 1978. This freeze was agreed at the conference held in Caracas in December. These two petroleum powers, the biggest exporters in the world, are the only ones

responsible for the decision. Kuwait has calculated the loss in its purchasing power from the decline in the value of the dollar in 1977 at 5.4 per cent. Its fall has led to the Finance Ministry shifting a proportion of its short-term funds—45 per cent—into a cash balance for budgetary purposes—into other currencies although

it is not concerned about the much bigger long-term investment in the U.S. and other dollar assets.

It is believed that neither Saudi Arabia nor Iran would be prepared to break the freeze decided upon with the reluctant acquiescence of the majority of OPEC's 18 members. Any upward adjustment would mean denominating the price of oil in terms of Special Drawing Rights (SDRs) or a basket of currencies along the lines of the so-called "Geneva Formula 1 and 2" which were used in 1972-73.

However, the difficulties in switching to a different system of accounting are acknowledged not the least by Mr. Abdel Rahman al Atiqi, Kuwaiti Finance Minister, in another interview. A fortnight ago described linkage to SDRs or a basket of currencies as "unsatisfactory."

Crucial will be the views of Saudi Arabia. Both Iran and the Saudis appear to be coming around to the view that some action must be taken.

In an interview with Saeed Sheikh, Ahmed Zaki Yamani, Saudi Minister of Oil, said "the continued fall in the value of the dollar might prompt OPEC countries to revise the formula known as Geneva 1 and 2, which provided for periodic adjustment of dollar prices on the basis of a basket of selected currencies."

At the last ministerial conference in Caracas, OPEC delegates alleged that the U.S. was deliberately allowing the dollar to slide to make its exports more competitive and to cheapen its oil imports. Since they receive their revenues in dollars, producers can gain an advantage in revaluing their currency against the U.S. currency.

The attack on the Dollar

German rate falls below DM2

BY ADRIAN DICKS

THE DOLLAR's continuing slide took it for the first time today below DM2 on the Frankfurt foreign exchange market. There were no indications from the West German authorities that they regarded this milestone as anything particularly important.

However, it is realised, even in the Treasury, that in the present situation, it is not enough to reiterate this in the face of clear evidence that the markets are not inclined to believe it.

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paper interview on Tuesday by Count Otto von Lambsdorff, the Economics Minister. He said that a dollar-DM parity of DM1.50 was "neither to be excluded nor possible"—a form of words that may have been intended to convey nothing more than the Government's own sense of bewilderment. However, the remark was none the less taken seriously in the market.

A second uncertainty remained tonight over what the Bundesbank's council may decide to do when it meets in Frankfurt tomorrow. Although the central bank council has not called a news conference (a step it generally takes when monetary decisions are in the offing), some foreign exchange dealers do not rule out the possibility that restrictive measures on dollar inflows analogous to those introduced by the Swiss this week may suddenly be introduced.

Any such intention has been firmly denied both by Dr. Oskar Emminger, the Bundesbank president and by Count Lambsdorff and the official government spokesman, Dr. Armin Gruenewald.

BONN, March 1.

The authorities have never concealed their dislike of exchange controls and similar measures to curb the balance of payments. During the current period of the dollar's decline they have consistently pointed out that its root causes lie in the fundamentals of the U.S. payments deficit and the persistent ambivalence of the U.S. Administration towards its external obligations. In the West German view, dirigiste controls by individual countries can do little to counter either of these factors.

Nonetheless, West Germany is not without experience of applying controls, as it did in 1972-74 in the face of much greater inflows across the exchanges.

Rouble moves
against West's
currencies

MOSCOW, March 1.

The Soviet State Bank today marked the U.S. dollar down against the rouble, but raised the rates for several West European currencies, especially the Swiss franc.

The official exchange rate figures for March, published in the weekly Ekonomicheskaya Gazeta, showed the dollar at 68.48 roubles per 100, down from last month's 69.50.

The Canadian dollar, French franc and sterling were also marked down against the rouble. The largest gain was for the Swiss franc, up to 23.84 roubles per 100 from last month's figure of 23.05, but the West German, Belgian and Dutch currencies all improved their positions.

Incomes
policy hint
by NY Fed

By Stewart Fleming

NEW YORK, March 1.

THE NEW YORK Federal Reserve Bank has suggested examining the idea of an incomes policy as a means of dealing with inflationary pressures in the U.S. But the bank's suggestion is not meant to be a blueprint for action, it says.

In its annual report, the New York Fed says that, although sustained moderation of monetary growth can alter inflationary pressures and make the return of price stability an achievable goal, "achievement of that goal might be agonisingly slow."

The report suggests, therefore, that what is needed is a means of breaking the cycle of wage and price decisions, which continue to build inflationary pressure into the economy. It adds: "It is the basic aspect of incomes policies that they might provide a means of making such a break."

While conceding that the incomes policies which have been tried around the world have had serious drawbacks, in terms of the length of their effectiveness and their distortions of the allocation of resources, the report adds: "Nevertheless, there may be lessons all nations can learn from those experiments with incomes policies."

The report cites the British experience of combining tax cuts with voluntary wage restraint as "especially interesting."

Occidental Petroleum Results: Cook-Matsui deal: TTT Court ruling—Page 28

Moscow is putting SALT
in danger—Brzezinski

BY DAVID BELL

WASHINGTON, March 1.

DR. ZBIGNIEW BRZEZINSKI, the National Security Adviser to President Carter, today bluntly warned the Soviet Union that it must make fresh concessions if it wants a new strategic arms agreement, or else the U.S. will go ahead with unilateral action in Africa.

Dr. Brzezinski said that the Carter Administration was not trying to "link" Soviet actions in the Horn of Africa to the strategic arms limitation talks (SALT). But, he went on: "At the same time, it is only a matter of realistic judgment to conclude that, if tensions were to rise because of the unwarranted intrusion of Soviet power into a purely local conflict, then that will inevitably complicate the negotiations and make the ratification process itself, but of any ratification process that would follow."

His briefing to reporters coincides with the release yesterday of the USSR's State Department report, which indicates that the Soviet Union has agreed to the terms of the 1977 SALT I agreement. It thought the U.S. had been making concessions on eight concrete negotiations. On the other hand, the USSR stopped what it was doing or convinced the U.S. that there was no violation of the accord.

This morning Dr. Brzezinski was echoing a State Department statement issued hurriedly at the week of the USSR's report. The statement said that the U.S. had made considerable concessions already, particularly on the overall number of weapons to be covered by the treaty. But he declined to elaborate further.

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will "to resolve the remaining difficulties."

When it took office, the Administration insisted that the concept of "linkage" was dead, and that one action by Moscow would not be measured against another. Hence, human rights would not be linked to SALT. But this policy now appears to have been abandoned in all but name because of events in the Horn.

This is partly because the Administration objects to Soviet backing for Ethiopia, but also because, as Dr. Brzezinski said this morning, it makes the task of selling any agreement to Congress much harder. Some Congressional critics have already begun to question the State Department report on Soviet compliance, claiming that the report is "tendentious and self-serving," and that it raises more doubts than it lays to rest.

On Friday, he said that the number of Cuban troops in Ethiopia had reached more than 10,000 and that the number appeared to be increasing. The U.S. Government has been making it clear, in public and private, that this build-up is already having a serious effect on U.S.-Soviet relations, but officials are frustrated that the USSR appears not to have taken the warnings seriously.

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Outlay by
business 'to
rise 14%'

By John Wyles

NEW YORK, March 1.

INDICATIONS that capital spending in the U.S. may increase by more than 14 per cent this year have been gleaned by two authoritative surveys of business intentions.

The size and nature of capital spending this year is regarded by economists as crucial to the continuation of economic recovery in the U.S., which is now into its 35th month. The recent state of disappointing economic statistics has raised concern that the economy may be faltering and may be putting out of reach the 4.5 per cent real growth rate expected by the Carter Administration.

However, both the economics sections and economic research departments of McGraw-Hill Publications and the business research organisation, have found that business spending plans are remarkably firm for 1978. McGraw-Hill has discovered that companies which it surveyed last autumn are now planning to increase their capital spending this year by 14 per cent, compared to 11 per cent, indicated in the original survey.

Total spending, says McGraw-Hill, could reach \$156.8bn. this year. This higher-than-expected figure has emerged despite an increase in interest rates, a fall in the stock market and a drop in industrial output because of the weather and the coal strike.

The Conference Board's projection of a 15.20 per cent increase in capital spending by the 1,000 largest manufacturing companies in the U.S. follows a survey of capital appropriations which revealed that these companies earmarked 31 per cent more for investment in 1977 than they did in 1976.

Venezuelan spending cut

BY JOSEPH MANN

CARACAS, March 1.

FACED with declining revenues from oil exports, the Venezuelan Government has decided to cut public sector by about 5 per cent this year, or by an estimated \$660m.

St. Luis José Silva Luongo, the Finance Minister, said after a Cabinet meeting yesterday that projects scheduled to be completed this year would not be affected, nor would there be any reduction in salaries of government employees. However, some official programmes stretching over the next two or three years will be slowed down, he indicated.

Although Government officials have not said whether the cuts would be most affected by spending in the oil sector, the

cut, spokesmen have already begun to question the cut in public sector. Presumably included in these categories are the most important programmes in steel, aluminium, electric power and transport.

The reduction announced yesterday represents only a small fraction of total Government spending, however, since the central Government budget does not include spending by State-owned enterprises, autonomous public institutions, or the nationalised petroleum industry. In 1976, for example, central Government outgoings were a little less than the equivalent of \$10bn, while overall official expenditure was about \$16bn.

At this stage, Ethiopia faces a

The Horn of Africa: The coming battle for Eritrea

WITH THE current lull in the war between Ethiopia and Somalia, it appears that Cuban-supported Ethiopian forces are preparing for a major offensive in the northern territory of Eritrea. Eritrean guerrillas claim that more than 2,000 Cuban troops have been airlifted into the beleaguered Eritrean capital of Asmara and heavy fighting is now going on southwest of the city. The Cubans deny any intention of intervening in the Eritrean war, saying that it is an internal Ethiopian matter.

Diplomatic sources in Ethiopia suggest that the much touted Ethiopian offensive in the Ogaden had the limited objective of placing Somali forces on the defensive and re-opening the vital rail link between Addis Ababa and the port of Djibouti, while diverting attention from the build-up in the North.

In this view, the attempt to regain control of the strategic coastal province, with its two key ports on the Red Sea, is the first priority for Ethiopia's beleaguered military government as well as for the Soviet Union, which is playing a major role in directing the overall military operations.

Now in its seventeenth year, the war in Eritrea has reached a crucial stage. Eritrean indepen-

dence forces have scored an unbroken series of victories against the central government which has carried them to within striking distance of Asmara and, indeed, complete occupation of the central Eritrean highlands.

A steady flow of Russian heavy arms, Russian and Cuban military advisers and South Yemeni combat troops over the past six months has failed to stem the Eritrean advance, and it now appears that large numbers of Eritrean troops are being airlifted from Angola to join the Ethiopian counter-attack.

A six month tour of Eritrea showed the guerrillas of the Front (EPLF) and the Eritrean Liberation Front (ELF) control most of the countryside. The EPLF dominates the north, east and centre, while the smaller ELF holds the western lowlands and sections of Eritrea's southern border with Tigray province. The EPLF has also made gains in southern Eritrea, and both fronts overlap in the south-eastern Danakil lowlands that stretch along the coast toward the port of Asaba, through which Ethiopia receives most of its arms and supplies.

In early 1977, the EPLF went on the offensive against Ethiopian positions in the larger

towns and captured a string of garrisons that run on a north-south axis across Eritrea. March saw the fall of Nefsa. A month later, the EPLF overran Asaba and went on to take Elabara and Debarwa. In July, the EPLF simultaneously captured Decemare and Keren, two of the most

heavily defended cities in Eritrea. Since then, the EPLF has moved against the towns of Segenadi and Diga in the south, the bases at Dogali, Dongolo, Chinda, Nefasit, Mal Haber and Shegerini in the east, and finally against the coastal city of Massawa, former site of a sophisticated U.S. naval base and Eritrea's most important deep water port.

The attack on Massawa stalled in late December when an estimated 8,000 Ethiopian troops—supported by Soviet tanks and multiple rocket launchers and heavy Russian and Ethiopian warships—retreated to the penin-

sular naval base and two offshore islands which are connected to the mainland by a mile-long causeway. These enclaves remain under siege today.

The fighting now appears to be concentrating in the mountains south-west of Asmara. The EPLF Rome spokesman reports a major

advance into the Organisation of African Unity (OAU) was holding its annual summit meeting in Khartoum, Sudan, where support for the Eritrean cause is strong.

The current Ethiopian offensive seems to be aimed at re-opening supply lines to Asmara where more than 20,000 Ethiopian troops and 200,000 civilian residents have been completely encircled since mid-October. Refugees and Ethiopian army deserters say that the city is facing acute shortages of food, fuel, water and medicines. Emergency stockpiles have run out and a few Russian-Ethiopian aircraft—disrupted for three days in late December by an EPLF mortar attack—has not been able to keep pace with supply needs.

On the other hand, the rapid advance of the Eritrean guerrilla armies has left them with wide areas to defend against counter-attacks, and divisions between the two liberation movements have been exposed. The massive build-up of Russian armaments—which include large numbers of tanks, armoured cars and MIG-21 fighters—and a substantial superiority in manpower give Ethiopia the ability to mount co-ordinated attacks in several

directions against the Eritreans. The chief flaw in the Ethiopian defence is the lack of unity between the EPLF and the ELF. The rival fronts have maintained an informal alliance since December, 1974, after three years of bitter civil war, but negotiations toward unification began four months ago and have not yet yielded concrete results.

The problem is further compounded by the existence of a newly formed third force known as the ELF-PLF led by Osman Saeed Saeed. The Eritrean army is smaller than either the ELF or the EPLF. The Right-wing ELF-PLF is receiving substantial aid from Saudi Arabia and the United Arab Emirates, who fear the emergence of the Leftist ELF as the dominant force in Eritrea.

Time is a key factor. If the Eritreans can resolve their internal conflicts and withstand the impending Ethiopian and Cuban offensive until June when the rainy season engulfs the highland plateau, they will be in a strong position to take Asmara and move south toward Assab where the last and perhaps the most difficult battle awaits them.

Unlike the Ethiopia-Somalia war, time also works to the Eritrean advantage by continually increasing the role of the

civilian population. The independence of the EPLF from virtually any external support has led them to concentrate heavily on internal mobilisation. Thousands of volunteers are now undergoing military and political training at secret EPLF camps inside Eritrea, while others are being inducted into local militias in their home villages. EPLF cadres are also organising urban guerrilla units inside the cities still under Government control and are arming previously clandestine groups in towns and cities captured in 1977.

At this stage, Ethiopia faces a

universally hostile population in Eritrea whose fervent nationalism has reached a level where it appears beyond compromise. Any advance by Cuban and Ethiopian forces would thus be subject to constant threat from within as well as from counter-attack by the Eritrean armies.

While the large-scale introduction of Cuban combat forces and heavy arms may prolong the war, it does not appear likely to prove decisive. In the final analysis it may only make a peaceful solution more difficult to attain.



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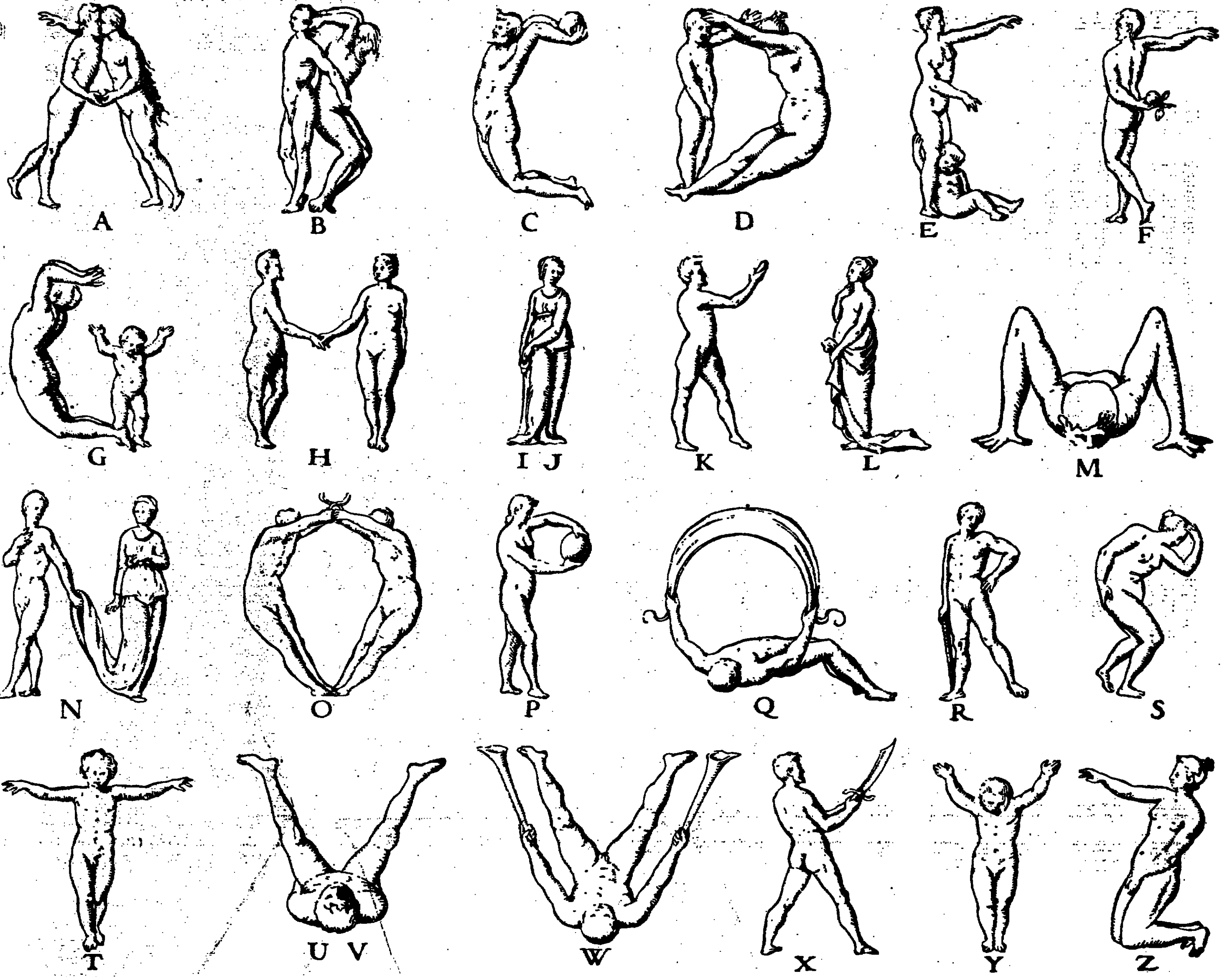
NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected by lot for redemption on April 1, 1978 at the principal amount thereof \$1,666,000 principal amount of said Debentures bearing the following serial numbers:

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3414	3644	3822	7117	9255	11478	13778	16496	20357	23041	33992	36512	39941	41560	43239	44922	46585
114	3220	3272	7122	9204	11430	13837	16438	20327	23030	33984	36504	39933	41552	43231	44914	46577
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1354	3220	3272	7122	9204	11430	13837	16438	20327	23030	33984	36504	39933	41552	43231	44914	46577
1394	3220	3272	7122	9204	11430	13837	16438	20327	23030	33984	36504	39933	41552	43231	44914	46577
1434	3220	3272	7122	9204	11430	13837	16438	20327	23030	33984	36504	39933	41552	43231	44914	46577
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1554	3220	3272	7122	9204	11430	13837	16438	20327	23030	33984	36504	39933	41552	43231	44914	46577
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2194	3220	3272	7122	9204	11430	13837	16438	20327	23030	33984	36504	39933	41552	43231	44914	46577
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How Philips lead in the efficiency business.

No.3



How Philips can speed up your thinking when you've only 26 letters to think with.

Ideas are just wishful thinking, until they're turned into the printed word. In the everyday business world, this usually means dictation... shorthand... a first draft... a second draft.

Yet if shorthand typing did not exist, nobody would invent it. It costs too much. Dictation into a machine is cheaper, more flexible, more productive. Whoever is dictating can choose their own time to dictate. Whoever is transcribing can choose their own time to transcribe.

And this is why Philips have developed a total range of machines for word input - turning ideas into recorded speech - and for word output - turning speech into the printed word.

If you are supplying the ideas - they can be letters, reports, or memos - with Philips dictation machines, those ideas can be recorded anywhere, anytime.

If you are turning them into the printed word, the Philips WP 5000 Word Processor brings the effortlessness of electronics into typing.

The WP 5000 thrives on repetitive, boring work. Its memory holds all the standard paragraphs you use over and over again. It prints 550 words a minute. And it is easy to use - rare with electronic gadgetry.

So, Philips systems make for greater office efficiency. But do they also create greater job satisfaction? The answer must be a resounding yes, because these are machines which release people from being machines, and let them be more creative and more responsible.

At Philips, we believe our systems must fit our customers, never vice versa. Our machines don't take over. They liberate.

The Philips philosophy: satisfaction AND your money back.

At Philips we have an obsession with the concept of function, by no means a common obsession. In electronics it is easy to be swept off one's feet by the excitement of the algebra, and produce machines that just eat money. There's a lot of them about. We require that our systems should pay for themselves as quickly as possible. That they must adapt to you, and not vice versa. That they must not exist to solve problems that they themselves create.

Internationally, Philips put £300m a year into research to make sure that their professional systems function obediently, and pay off at your end. It certainly seems to have paid off at our end. For in business communications, telecommunications, dictation machines, and all but the largest data processing systems, we are market leaders in the free world.

And in word processing we are fast moving that way.

Now let's talk business efficiency.

If you would like more information about business products and systems from the Philips Group, please ask your secretary to tick the appropriate box.

<input type="checkbox"/> Philips Data Systems	<input type="checkbox"/> Pye Business Communications
<input type="checkbox"/> Electronic Accounting System	<input type="checkbox"/> PABX
<input type="checkbox"/> Office Computer System	<input type="checkbox"/> Office Intercommunication
<input type="checkbox"/> Financial Terminal System	<input type="checkbox"/> Public Address Systems
<input type="checkbox"/> Philips Business Systems	<input type="checkbox"/> Closed-circuit TV
<input type="checkbox"/> Office Dictation System	<input type="checkbox"/> Pye Telecommunications
<input type="checkbox"/> Word Processing	

To: David Hughes, Business Efficiency, Philips Industries, Arundel Great Court, 8 Arundel St., London WC2R 3DT. Tel 01-838 7638 Please send me your literature on the items ticked above.

NAME _____

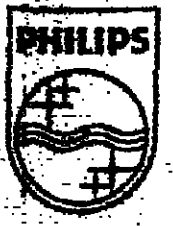
(Position in company) _____

ADDRESS _____

TELEPHONE _____



FT3



Simply years ahead

PHILIPS

COMPANY NOTICES

THE SWEDISH LAMCO SYNDICATE
Trafik AB Grängesberg-Oxelösund & Co.

5 1/2 per cent Sterling/Deutsche Mark Loan 1980

NOTICE OF EARLY REDEMPTION

On behalf of the above Syndicate, S. G. Warburg & Co. Ltd. hereby gives notice to Holders of the Bonds representing the above mentioned Loan that the Syndicate has elected in accordance with Condition 8 of the Bonds to redeem all outstanding Bonds on 1st June, 1978 at 101 per cent of the nominal amount thereof.

S. G. Warburg & Co. Ltd.
as Principal Paying Agent

2nd March, 1978.

CONTRACTS AND TENDERS

Democratic and Popular Republic of Algeria

Ministry for Industry and Energy
ENTREPRISE NATIONALE SONATRACH
Marketing Division
Departement Realisation Infrastructure

International invitation to Tender No. 6/78

SONATRACH is launching an international invitation to tender for the supply of equipment for the construction of 300 (three hundred) service stations which will include:

- 1st lot: Equipment for:
 - Cleaning-lubricating workshops
 - Equipment for parallelism
 - Equipment for wheel-balancing
 - Equipment for headlight monitoring
 - Automatic washing installation
 - Associated equipment
- 2nd lot: Seamless tubes
- 3rd lot: Piping
- 4th lot: Electric equipment
- 5th lot: Safety equipment
- 6th lot: Metallic furniture

Interested companies may obtain the tender documents for the whole of this tender or part of it, as from the publication of the present announcement, against a payment of Dinars 200 (two hundred dinars) from:

SONATRACH — Direction Commercial
Département Realisation Infrastructure
Route des Dunes — Base ALCP —
CHERAGA (Algiers) Algeria
Tel. 81.12.03 to 08
Telex: 52.808 — 52.292 — 52.293 —
52.299 — 52.279.

Tenders, together with the relevant usual references, should be sent by registered mail in double sealed envelopes to Entreprise Nationale SONATRACH, at the above-mentioned address, the inside envelope clearly addressed as follows: "A NE PAS OUVRIR — SOUMISSION — A.O.J. no. 6/78" not later than 15th April, 1978.

Tenders remain bound by their quotations for a period of 120 days.
Tenders which will not respect the above-mentioned indications will not be taken into consideration.

Democratic and Popular Republic of Algeria

MINISTRY OF LIGHT INDUSTRIES
SOCIÉTÉ NATIONALE DES
INDUSTRIES DE LA CELLULOSE
"SONIC"

INTERNATIONAL INVITATION TO TENDER

SONIC is launching an international invitation to tender for the construction of a manufacturing unit of paper for reprography (duplicating process).

Interested companies may obtain the tender documents from:

SONIC
64, Rampe Ali Haddad (Ex. Zaatcha)
El Mouradia, Algiers, Algeria
Tel: 66.38.00—01 and 04
Telex 52.933

against a payment of Dinars 200 (two hundred dinars).
Tenders, together with the relevant usual references, should be sent in double sealed envelopes to Monsieur le Directeur Général, SONIC, at the address above, the inside envelope clearly addressed as follows: "SOUMISSION — A NE PAS OUVRIR — Projet: Complesse de Transformation de Produits papiers et cellulose".
Tenders should be sent not later than May 30, 1978, the date being taken as evidence of the date of posting.
Tenders remain bound by their quotations for a period of 120 days.

Democratic and Popular Republic of Algeria

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MINISTRY OF LIGHT INDUSTRY
SOCIÉTÉ NATIONALE DES INDUSTRIES
DE LA CELLULOSE
"SONIC"

INTERNATIONAL INVITATION TO TENDER

SONIC is launching an international invitation to tender for the supply of equipment for the manufacture of paper products. The tender concerns the following equipment:

- unit of machines for the manufacture of waste paper
- unit of machines for the manufacture of gum paper
- unit of machines for the manufacture of complex paper.

Interested companies may obtain the tender documents from:

SONIC
64, Rampe Ali Haddad (Ex. Zaatcha)
El Mouradia, Algiers, Algeria
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SPAREKASSEN SDS

U.S.S 25m.

8 1/2 per cent capital notes 1982
Holders of the above notes are advised that the annual reports and accounts for the year ended 31st December, 1977, of Sparekassen SDS are available at the offices of Manufacturers Hanover Limited, 8 Princes Street, London, EC2P 2EN, and at the offices of the other paying agents set out on the note certificate.

CHARTER CONSOLIDATED LIMITED

Notice to Holders of 5 per cent

Consolidated Limited, a company registered in England, has announced that the 5 per cent preference shares of the company, which were issued on 1st March 1978, are now available for redemption on 1st June 1978 at 101 per cent of the nominal value of £100 each.

CHARTER CONSOLIDATED LIMITED

Registered Office: 10, Abchurch Lane, London, EC4N 3DF

SOCIÉTÉ FINANCIÈRE ALGERIENNE

PER ALGERIEN

INCREASE IN SHARE CAPITAL

Notice to Shareholders in pursuance

of Article 10 of the Statutes of the

Company, in accordance with the

resolution of the General Assembly

held on 28th February 1978, the

Board of Directors of the Company

has the honour to inform you that

the share capital of the Company

has been increased from 100,000

shares of 100 Dinars each to 150,000

shares of 100 Dinars each, by the

issue of 50,000 new shares of 100

Dinars each, at a price of 100

Dinars per share, plus a premium

of 10 Dinars per share, making a

total issue of 5,000,000 Dinars.

The new shares will be issued in

the form of bearer shares, which

will be validly issued only if they

are countersigned by the Board of

Directors of the Company, and if

they are registered in the Register

of the Company, which is kept at the

offices of the Company, at 10, Rue

de la Liberté, Algiers, Algeria.

The Board of Directors of the

Company has the honour to inform

you that the new shares will be

issued in the form of bearer

shares, which will be validly

issued only if they are

countersigned by the Board of

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Rue de la Liberté, Algiers, Algeria.

HOME NEWS

REPORT ON BRITISH WATERWAYS

MPs urge £60m. boost for canals system

FINANCIAL TIMES REPORTER

THE COMMONS select committee

report on the British Waterways

Board — which is sharply critical

of the role of Mr. Denis Howell,

one of the environment

Ministers, and his Department —

urges an investment boost for

waterways of £60m. over 15 years.

The canals are a "great potential

asset" to the nation, the MPs

say in their report. But for the

past eight years, they claim,

there has been a "deplorable"

gulf between the Government

and the waterways, with lack of

trust and much misunderstanding.

Delays had led to a trebling in

the amount of money needed for

maintenance. Involving

public safety, Mr. Bob Bean, MP,

a Labour member of the committee,

yesterday amplified the

potential dangers. Some parts of

the waterways system were in a

very dangerous condition, he

said.

The report, which was published

yesterday, also urged the

Government to set up a

nationalised waterways

authority, to take over the

canals and rivers, and to

invest £60m. over 15 years in

maintenance and improvement.

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The report also urged the

Government to set up a

Under the Transport Act 1968,

the Board owns or manages

about 2,000 miles of waterway

in England, Scotland, and Wales.

Of this, 350 miles are classed as

commercial, 1,071 miles as cruising

and 570 miles as unclassified.

The Board has been

unable to fulfil its statutory

responsibilities, in evidence to

the committee, it said. "Finance

sought by the Board has been

constantly denied." This was a

"most serious" charge, says the

committee.

The Board's own

assessment of 1970. But by last

November, the backlog of repair

work was such that at 1974 prices

it was £27.6m. — or more than twice

the original estimate — would be

required. Today the work would

cost £60m., nearly treble the

original estimate.

When the report was published,

the Government said that

£3m. would be allocated in 1978-

1979 for urgent maintenance

involving public safety. The

Board's chairman said this was

insufficient even for the first

18 months' work.

The Board's freight

services made a profit of £236,700

in 1977, but its operating

costs were £259,100. By 1976 freight

services made a loss of £51,700.

The profit on land and properties

has risen to £227,900.

This income was insufficient to

cover the essential expenses of

the Board, which had to be

covered by the Government.

The Board's income had

been received from the Environ-

ment Department, rising from

£3m. in 1972 to £10m. in 1978.

But these grants were still

insufficient for the Board to main-

tain the waterways as required

PARLIAMENT AND POLITICS

LABOUR NEWS

System Minister accepts removal of Wales Bill clause

BY IVOR OWEN, PARLIAMENTARY STAFF

A BLOODLESS coup for the anti-devolutionists marked the opening of the committee stage of the Wales Bill in the Commons last night when the Government announced its willingness to abandon Clause One, the declaratory provision asserting that nothing in the measure affects the unity of the U.K.

The White Paper was run up from the Government front bench by Mr. Alec Jones, Under Secretary for Wales, in what is likely to prove the briefest speech in the course of the 11 days, provided under the guillotine procedure, for the line-by-line examination of the Bill.

He recalled that the Government had made no attempt to relegate a virtually identical declaratory clause in the Scotland Bill after it was rejected by the House. In the circumstances, the Government would not seek to retain Clause One of this particular Bill.

Anti-devolutionists on both sides of the House greeted the news as a significant St. David's Day success.

Welcoming the announcement, Mr. Francis Pym, Conservative devolution spokesman, said it constituted a remarkable opening to the committee stage.

It was clear, he indicated, he argued that the Government recognised that it was in no position to defend the clause against the attack which anti-devolutionists were determined to launch.

Mr. Pym boldly claimed that St. David's would have been on the side of those opposed to the Bill and forecast that even if it were to reach the Statute Book, it would be subject to the present provisions that the NEC can overturn its verdict when procedural rules have been broken, as in the case of Mrs. Maureen Colquhoun at Northampton North.

Right-wingers, however, emphasised yesterday that either the right of appeal to the executive should be broadened to cover substance rather than procedure, or the MP should be able to take his case to all paid-up party members in the constituency—a course favoured by many Labour officials. They believe that by bringing ordinary voters into the party's deliberations, its sagging organisation in the country could be improved.

Mr. Ashton warned yesterday that automatic reselection could produce perhaps 25 "orphaned" Labour MPs at Westminster, with no loyalty to party whips. They might also be tempted to run as independents at the next general election, with the risk of splitting the Labour vote and handing seats to the Tories.

Mr. Pym was that the Government had been forced to introduce the ludicrous concept of "U.K.-Welsh relations"—a bizarre development after 500 years of harmonious relations with Wales so far as Government was concerned.

He said that the Government was going to take the sense of division within the U.K. rather than some improvement in the Government of this country," he declared.

Mr. Gwynfor Evans (Plaid Cymru, Carmarthen) reminded Mr. Pym that the Conservative Party was supposed to favour some form of devolution. But the whole tenor of his speech had suggested that no devolution of power to the people of Wales would ever be possible.

Mr. Pym replied that the Conservative Party had never proposed that Wales should have its own executive but had favoured administrative devolution.

Mr. Cledwyn Hughes (Lab., Anglesey) said it would be wrong to say the people of Wales did not want the Bill. Although it was impossible to say with any degree of certainty what would happen in a referendum, there was a substantial body of opinion in favour of a practical measure of devolution.

Mr. Raymond Gower (C. Barry) felt the changes would affect the unity of the U.K. If they could say with certainty "so far and no farther," a lot more MPs would be happy to consider the changes.

Mr. Ian Evans (Lab., Aberdare) said the opinion of the Welsh people should have been sought before the Bill came to the House. The measure would "create a Frankenstein monster which will assume its own momentum." He would campaign for "No" in the referendum.

Mr. Wyn Roberts (Con., Conway) said the Welsh would be "horrible and appalled" if they realised how scanty the Commons debates on the Bill were going to be. "Some of it will hardly be touched at all," he said.

The Labour Party yesterday published the framework on which it will build its manifesto for the first elections to the proposed Scottish Assembly.

The document, which will be presented to the Scottish party conference in two weeks' time, sets out a commitment to use devolution for social change and to increase democratic accountability.

It calls for a social plan to attack deprivation and improve public services and for the Assembly to be used as a starting point for further decentralisation of decision-making.

Tory peers have no intention of wrecking the Scotland Bill when it reaches the House of Lords later this month. But there is no guarantee that Ministers may not be kept up all night during detailed line-by-line debates.

Conservative sources yesterday made clear that they had no plan to destroy the measure but they would take the opportunity to talk extensively on 60 of the 83 clauses in the Bill which were not debated in the Commons because of the guillotine.

Opportunity for this will come in twice-weekly sessions. The scope for making changes to the Bill in the Lords is enormous but there seems to be no intention by either the Government or Opposition to upset the provision that 40 per cent. of the electorate must vote yes for the devolution plan to go ahead.

Tories want strong army and police - Whitelaw

BY NICK GARNETT, LABOUR STAFF

MR. WILLIAM Whitelaw, Conservative deputy leader, yesterday continued the party's campaign to highlight the issue of law and order by arguing that under the Labour Government there was "a serious weakening of both the armed forces and the police."

A Conservative government is pledged to maintain a strong armed service and a strong police service, he said. "This means making sure that their pay and conditions give them the appropriate status in our society and a good position in relation to average industrial earnings. The next Conservative government will do that."

Mr. Whitelaw told a Conservative women's conference in Aldershot that the primary duty of government was to protect its citizens. "This requires the maintenance of strong defence forces against threats from overseas and a strong police force to maintain the freedom and order of society at home."

Under Labour, he said, the conditions of these services had steadily deteriorated, compared to industrial earnings, and as a result morale in both the armed services and the police was very low.

Unless the pay review body was given the freedom to recommend their own genuine proposals in the spring he was certain that a serious weakening in armed forces strength would result.

South-east lorry drivers may strike over meal allowance

BY NICK GARNETT, LABOUR STAFF

LORRY DRIVERS at nearly 2,000 haulage companies in London and the south-east are threatening a strike later this month that could cripple services throughout the region.

Transport and General Workers' Union shop stewards learned yesterday that the dispute, which originally arose over meal allowances, is not of an agreement between the union and the employers but a general stoppage throughout the area is likely.

Such action, say the stewards, could throw many small hauliers out of business.

The dispute is as much the result of arguments among members of the Road Haulage Association, the employers' organisation, as between employers and the union.

The Metropolitan and south-eastern area of the RHA, operating through a regional joint council with the unions, had offered a new pay package incorporating a 25p a day luncheon allowance, clauses in the 1960 Road Traffic Act.

Drivers at some haulage companies in Grimsby are now on strike over a pay dispute involving the south Humberside area.

Postmen likely to settle within guidelines

By Pauline Clark, Labour Staff

THE UNION of Post Office Workers, representing more than 200,000 postal workers, appears ready to accept a pay deal within Government guidelines.

There has been grass roots pressure for a conclusion to the present pay negotiations between the union and the Post Office. Settlement is now two months overdue.

The union explained that there had been problems in finding a formula which would be fair to the majority.

Many members would benefit most from a 10 per cent. increase on basic rate which, for a postman aged over 21, stands at £29.86.

But because overtime is being paid on the basis of rates fixed three years ago, calculation of supplements to the wage packet since 1975 had become a major issue.

These supplements include a 7 per cent. rise in January, 1975, and the Phase One and Two payments.

The union has not made much headway in its demand for the 7 per cent. to be brought into basic rates, in spite of recent representations to the Department of Employment.

The U.P.W. negotiators were given a free hand by their 1977 conference to negotiate as best they could under whatever restrictions emerged after the end of Phase Two of the Government's pay restrictions.

Nor is there much sign that postmen are prepared to take industrial action on the pay claim.

Government will resist shipyard output cuts

THE GOVERNMENT will continue to resist efforts to cut the forecast is based on a two-year productive capacity of shipyards old study by the Association of Shipbuilders.

Because it fears any such targets could become self-fulfilling, the Government "acknowledged" to Mr. Gerald Kaufman, Industry Minister.

In a reply to Mr. Michael Grylls, an Opposition industry spokesman, Mr. Kaufman conceded that contraction may be forced on British shipbuilders, but said the Government will work to keep "any enforced contraction to the minimum."

Mr. Grylls had complained about Britain's failure to support capacity reduction blueprints prepared by the EEC.

Referring to the proposal from the Association of Shipbuilders, the EEC's Commission for Restructuring the Community's shipbuilding capacity of 46 per cent. over five years, Mr. Kaufman says this plan is "unlikely to be adopted."

He says Viscount Davignon's forecast is based on a two-year productive capacity of shipyards old study by the Association of Shipbuilders.

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Aerospace industrial action warning

The British Aerospace Staff Association yesterday warned of industrial action throughout aerospace sites over a proposed industrial democracy plan.

The warning came from Mr. Peter Fairley, general secretary of the association, which is fighting for recognition in the nationalised industry.

Chapple wins £22,500 pamphlet libel damages

MR. FRANK CHAPPLE, the anti-Communist general secretary of the 433,000-strong Electrical and Plumbers Trades Union, was awarded £22,500 damages in the High Court yesterday for libel in a pamphlet headed: "The ugly face of Chapple's Union and how to change it."

The pamphlet, which accused Mr. Chapple of pursuing policies contrary to union members' interests, and gagging criticism within the Union, was published when he was standing for re-election as general secretary in 1976.

Judgment, with costs, was entered by Judge Lymbery, QC, against the printer and publishers, S. W. Litho, of Corbridge Crescent, Retford Green, London, which is now in voluntary liquidation.

Mr. Peter Bowsher, counsel for Mr. Chapple, said the company was part of the Socialist Worker Group.

It was not represented at yesterday's hearing and the judge had been asked only to decide whether the pamphlet was defamatory and what damages should be awarded.

Mr. Chapple later said he hoped the award would be a "salutary lesson" to extremists. There had to be some form of defence to the type of extreme pressure to which he had been subjected.

The judge said a court could award "aggravated" damages in order to express its indignation at a defendant's conduct. "I have been gravely libelled," he added.

Mr. Bowsher told the judge that Mr. Chapple's claim for damages against Socialist Worker Printers and Publishers had been stayed by the compulsory liquidation. Mr. Chapple would now become a creditor in the liquidation of S. W. Litho.

Pay rise

About 70,000 wool textile workers in West Yorkshire, the North West and Scotland will get a 10 per cent. pay rise.

Allowance granted

The 600 staff at the Central Veterinary Laboratory, Weybridge, received a London weighting allowance of £275 a year back dated to April, 1974.

Strike continues

Production at British Leyland's foundry at Welwynborough, Kent, remains at a standstill, with 150 workers of the Amalgamated Union of Engineering Workers voted to continue an unofficial strike.

Stamps feature royal palaces

FOUR of Britain's royal palaces and castles feature on new stamps which went on sale at post offices yesterday.

They show the Tower of London, which celebrated its 900th anniversary this year, on the 9p stamp; the Palace of Holyroodhouse, Scotland (10p); Caernarfon Castle, Wales (11p); and Hampton Court Palace, London (13p).

Vauxhall strike rejected

MORE THAN 4,000 production workers at Vauxhall's car plant at Ellesmere Port, Cheshire, yesterday overwhelmingly rejected strike action in support of a claim for a better deal for the plant's 200 workers.

Only about 200 gave support to the shop stewards' call to stop work after tomorrow's shift.

At a noisy 45-minute meeting efforts last year.

Jobs market picture stays confused after latest figures

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE NUMBER of workers in employment shows no signs of picking up in spite of the apparently contradictory evidence of the recent fall in unemployment.

New estimates in the latest issue of the Department of Employment Gazette show that the number of employees in jobs in production industries in Britain was unchanged in the month to mid-December at 9.11m, seasonally adjusted. This is 47,000 lower than the mid-June total.

This merely adds to the rather confusing picture of labour market activity at present with unemployment declining since the late summer and notified vacancies rising sharply. It is possible that one answer may have been a rise in service employment though up-to-date figures are not yet available.

On a non-seasonally adjusted basis, the total employees in work in production industries was 9.15m in mid-December - 7,700 lower than a month earlier and 800 higher than in mid-December 1976.

The number of work stoppages due to industrial disputes in the employment in January notified to the Department of Employment was 156, involving about 62,000 workers.

During the month, about 98,700 workers were involved in stoppages, including some which had continued from the previous month, and 789,000 working days were lost, including 324,000 lost through stoppages which had continued from the previous month.

In the week ended December 10, 1.83m workers were on overtime in manufacturing, which is equivalent to 38 per cent. of the total.

A special article in the Gazette says that in 1978 the total number of graduates who will be actively seeking employment should show a rise of nearly 10 per cent. on last year's figure to about 45,000. The number of vacancies in 1978 will be at least 20 per cent. higher than the revised estimate for 1977, but this increase will not be spread evenly over all types of work—manufacturing industry and public utilities promising the greatest increase in vacancies.

A quarterly analysis of Family Expenditure Surveys shows that in the second quarter of 1977, households on average contained 2.79 persons, of whom 1.37 were working, and spent nearly £70 per week. This was about £4.50 per week more than in the first quarter and over £8 per week, or 15 per cent. more than in the second quarter a year earlier.

Compared with a year earlier, the main increases were on food (12.2%), transport and vehicles (£1.70), housing (£1.25), and on fuel, light and power (£1). This last item of expenditure showed the largest increase—over 26 per cent.

Labour MPs see hope for re-selection accord

BY RUPERT CORNWELL, LOBBY STAFF

THE OUTLINE is in sight of a compromise which could settle the thorny question of the automatic reselection of Labour MPs before a general election—an issue which has threatened to divide the party.

Even Right-wing MPs now mostly accept the principle that there must be some form of reselection. The main battle appears likely to be fought over safeguards for a sitting MP disowned by his local party.

This renewed hope of defusing a now which both Left and Right feared could after the Conservative's valuable electoral ammunition, springs from the warm reception given at a private party meeting at Westminster yesterday to a formula put forward by Mr. Joe Ashton, MP for Bassetlaw.

This proposes that every constituency management committee should simultaneously hold a special "endorsement" meeting midway through the life of a Parliament.

If the sitting MP's record was approved, he or she would go forward to fight the next election without further ado. Only if the vote went against the MP would arrangements be made for a selection conference to choose a new candidate.

As matters now stand, a working party on reselection is due to report back to Labour's organisation sub-committee, which, in turn, will put proposals before the full national executive committee. This would be done so that constituency parties have ample time to discuss the issue before the annual conference in Blackpool in October.

But after yesterday's meeting, when 60 MPs present, Mr. Ashton (Coventry S.W.) spoke out for radical change. The feeling was that the Left-leaning NEC will find it hard to opt for a sweeping change.

Differences remain on the right of appeal, open to a general election, with the risk of splitting the Labour vote and handing seats to the Tories.

Council tenants charter call

A TORY MP said yesterday that council house tenants should be allowed to take in lodgers, keep pets and paint their own front door any colour they liked.

Mr. Reginald Eyre (C. Hall Green) was given leave to introduce his Council Tenants Charter Bill, which he claimed, would raise the dignity and status of council tenants by allowing them to do these things.

He said the bill would scrap petty and unjustified rules and restrictions. The measure would also set up a national council house exchange system to enable people to move from area to area more easily in search of work.

Members of the committee last night tabled a motion in which they called unanimously for the Commons to "take note" of their three reports.

The motion has been framed to preserve the committee's bipartisan approach. Some of its Tory members had wanted to include a demand that the report be explicitly approved. Such a step would have again thrust the question of the resignation of Mr. Eric Varley, Industry Secretary, into the arena.

The motion still presents Ministers with an uncomfortable choice whether to grant time for a debate before Mr. Varley's statement, due just before Easter, or to run the risk of provoking the Conservatives into using some of their allotted time for discussion.

MPs table steel motion

By Rupert Cornwell, Lobby Staff

MPs HAVE stepped up their campaign to secure an early Commons debate on the steel industry following the highly critical report from the all-party Select Committee examining the British Steel Corporation.

Members of the committee last night tabled a motion in which they called unanimously for the Commons to "take note" of their three reports.

The motion has been framed to preserve the committee's bipartisan approach. Some of its Tory members had wanted to include a demand that the report be explicitly approved. Such a step would have again thrust the question of the resignation of Mr. Eric Varley, Industry Secretary, into the arena.

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Government record on law attacked

THE GOVERNMENT had a record showing in its attitude to the law, Lord O'Hagan, for the Opposition suggested in the Lords yesterday.

He was opening a debate on "the decline in respect for authority and the need to reassert the primacy of the law."

Lord O'Hagan instanced the story of the TV licence fees, of Tameside, Skytrain and Clay Cross. This was a catalogue of shameful episodes by a Government which should be giving a lead.

Lord Widdowson (L.) said that rising crime was a common problem throughout Western society. A strict regime of the "glass house" sort would cause a good deal of satisfaction to the victims of crime and to the community as a whole, but one had to consider with great care whether it would contribute towards deterring juvenile offenders.

The detention centres which had been in use up to 1970 had not had a deterrent effect, as the re-conviction rate was very high on 50 per cent.

But he believed that juvenile courts should have better powers to see that such offenders were put in secure places.

Lord Gardiner, a former Labour Lord Chancellor, said he agreed with Mrs. Thatcher and Mr. Whitelaw. Our first priority must be to increase the police force to deal with the increase in crime.

He had never known a period when there had been so much abuse of judges and lawyers. "I don't really know what they have done to deserve it. It seems to be a popular sport."

In a maiden speech, Lord Kinross said: "Too many parents give priority to their own pleasures and take too little interest in the well-being of their children."

Lord Hunt said that in homes and schools, industry and trade

Tories confident of decisive victory at Ilford North

BY PHILIP RAWSTORNE

CONSERVATIVES are confident of a decisive victory in today's by-election in Ilford North, the most marginal of Labour's London seats. Defeat for Labour would severely weaken the Labour's position of springing a General Election before the autumn.

With the Conservatives needing a swing of only 0.3 per cent. to regain the seat which they lost in the first time in 28 years in October 1974, a Gallup Poll yesterday put the party 22 per cent. ahead of Labour.

Though the figures were greeted with scepticism by the party candidates, a severe setback seemed inevitable for the Government's hope of re-establishing its electoral popularity on the basis of its economic performance.

Ministers will scrutinise the result in an attempt to measure the impact on the campaign of Mrs. Thatcher's hard line on immigration.

A Tory majority of over 5,000 would suggest that the Tory leader's tactics had mobilised popular support on an issue which could pose serious problems for the Government in the next General Election.

Opinion polls have so far indicated that the Tories would be the main beneficiaries of any anti-immigration feeling among the voters. The National Front, in spite of its well-publicised presence in the contest, was expected to secure only 0.5 per cent. of the vote according to the opinion surveys.

Liberal support—over 5,000 votes at the last election—majority of 18.

appears to have collapsed and the party's candidate is expected to have a struggle to save his deposit. Mr. David Steel, Liberal leader, faces the prospect of another embarrassing inquest on the electoral effects of the Lib-Lab pact.

In the 17 by-elections of this Parliament, the Liberals have lost 12 deposits and twice finished behind the National Front in the polls.

A Conservative victory in Ilford would make it the sixth seat gained from Labour in by-elections since October 1974.

Labour's overall minority in the Commons would be increased to 16, but with Liberal support and the votes of Irish Labour and Scottish Labour it would retain a working majority of 18.

State road haulage extension must wait, says Rodgers

FINANCIAL TIMES REPORTER

MR. WILLIAM RODGERS, Transport Secretary, gave his backing yesterday to an extension of the nationalised sector of the road haulage industry. But he made clear in the Commons that the Government's commitment to an enlarged public sector in road haulage would have to be deferred until after the next general election.

His support for the State road hauliers came when Mr. Alistair Gosselin (C. Northwich) called on him to say what advantages the Government thought would arise from an extension of nationalisation in road haulage proposed in the transport White Paper.

Mr. Rodgers replied that in the great majority of its supporters the National Freight Corporation could be a success. "I would like to see the NFC grow in its activities and make a substantial contribution to the well-being of the country."

Mr. Sidney Bidwell (Lab., Southall) urged that the next Labour Government—freed from the constraints of the Lib-Lab pact—should return to socialist policies for transport, "which would include a considerable and over-late extension of the nationalisation of road haulage."

Mr. Rodgers replied: "It would be for the new Parliament to consider a clear commitment to consider an enlarged public sector in road transport."

Replying to Mr. Robert Adley (C. Christchurch and Lyminster) the Minister declared: "I believe in a strong public sector in industry and in pushing its frontiers forward."

Earlier, Mr. John Horam, Transport Under Secretary, said that consultations were still going on with the road transport industry on the proposal to increase the fee for a heavy goods vehicle driving test from £24 to £32.50.

Given the economic difficulties the country was passing through, But he stood by the Government's declaration, when the previous project was abandoned, that it would be "ungenerous" not to consider any proposition coming from the EEC, particularly if it involved a financial contribution.

Tunnel possible if . . .

THE GOVERNMENT is willing to consider a new Channel Tunnel project provided the Common Market meets a large share of the cost. Mr. William Rodgers, Transport Secretary, told the Commons yesterday.

He said the Government's position was that a tunnel could not feature in present priorities

Labelling regulations cover 800 chemicals

FINANCIAL TIMES REPORTER

SUPPLIERS of about 800 dangerous chemicals will be forced to put special warning labels on their containers under regulations laid before Parliament yesterday implementing an EEC directive.

Suppliers will be given until September 1 to put labels on containers of 200 litres or more and until March 1 next year to label those with a smaller capacity.

The regulations will cover such chemicals as concentrated nitric acid, hydrofluoric acid, mercury compounds, sodium hypochlorite (bleach) and sodium chlorate (weedkiller).

Overtime

Other new figures show that the weekly number of hours of overtime worked in manufacturing industry rose from 14,98m in 1976 to 15,24m in 1977, between November and December. This is lower than the level earlier in 1977.

In the week ended December 10, 1.83m workers were on overtime in manufacturing, which is equivalent to 38 per cent. of the total.

A special article in the Gazette says that in 1978 the total number of graduates who will be actively seeking employment should show a rise of nearly 10 per cent. on last year's figure to about 45,000. The number of vacancies in 1978 will be at least 20 per cent. higher than the revised estimate for 1977, but this increase will not be spread evenly over all types of work—manufacturing industry and public utilities promising the greatest increase in vacancies.

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Compared with a year earlier, the main increases were on food (12.2%), transport and vehicles (£1.70), housing (£1.25), and on fuel, light and power (£1). This last item of expenditure showed the largest increase—over 26 per cent.

THE JOBS COLUMN

Life of Reilly junior • Economists for Tube and Chair

BY MICHAEL DIXON

SOMEWHERE IN London a young man is working as an office assistant for £18.27 a week. Do not ask me if he is satisfied in his job. I know only that he is there — detected by survey of junior-rank staff disclosed yesterday by Lloyd Income Research.

In gross terms, at least, the young man is at present 27p a week better off than he would be on the Manpower Services Commission's job-creation scheme, now being ramified into two branches dignified by the titles: Youth Opportunities Programme and Special Temporary Employment Programme.

But it is to be hoped that our young friend's small service-company employer will give him a full 10 per cent rise this month. Otherwise he will be left behind his counterparts in job-creation, who from April 1 will receive £19.50 a week from the taxpayer and, in expensive areas like London, possibly extra allowances to cover travel and such.

On the other hand, most of the clerical, assistant and secretarial staff covered by the Lloyd survey in 126 British companies seemed to be doing fairly nicely. The highest salary was £7,200 for a computer programmer, though some people doing that kind of work received only £2,150. The

average salary for the 6,376 people studied was £2,542, though the figure for London and the South-east was £306 higher than that for the provinces.

For the Government, the Lloyd research contains some good news, and then again, also some bad news. Ministers will be cheered to know that 84 in every 100 companies provided the staff with training, 40 by means of day-release to college.

By contrast, only 68 per cent used the Manpower Services Commission's Jobcentres for recruiting staff, whereas 87 per cent used private-enterprise employment agencies. This, considering the cost of taking the Government's old employment exchanges, chromium-plating them and re-sitting them with staff from the old Civil Service source in expensive city centres — surely offers a lesson to Employment Secretary Albert Booth. But I doubt whether he will be willing to learn it.

For readers interested in re-training "junior" or, like me, in comparing conditions to-day with those they suffered in the survey's findings on other perks provided. Among every 100 typical companies:

More than 20 working days of annual leave are allowed by 46 employers. Overtime is paid by 55. Flexi-time working is offered by 26. Subsidised can-

normal recruitment labours and although you can stick a horse's head in a bucket, it will most probably just contaminate the unsuccessful final candidates water.

The proposed code could only be weakened by saddling it with clauses that nobody would insist on if matters came to the crunch, and I therefore think that the no-gazumping clause is another, which, while desirable ideally, we should in practice manage better without. If that answers the general question, however, it still leaves £800m-plus turnover Tube Investments with the specific problem of a hole where its new group economist should be. And Brian Ashworth (Bridgewater House, Cleveland Row, St James's, London SW1A 1DG) would like to have written outline details of any reader who might be interested in filling it.

Responsible to him, the newcomer will be one of about eight specialists in the corporate planning area. Unlike others, though, the incoming man or woman will be working on the group-level concerns of this assembly of mainly engineering businesses much involved in overseas countries. The work will include contributing to business planning by producing reviews of the U.K. and foreign economies, advising the group's executive committee about economic going-on, and their likely effect on T.I.'s existing and prospective activities.

I have no doubt that, in fairness, the accepting candidate should be no less obliged to honour the agreement than is the employer, and this seems probably to be the case in law. But I doubt that in practice the deprived employer would want, or be wise, to pursue his theoretical rights.

A legal claim for damages, even if likely to be successful, would surely be well publicised to the detriment of the plain-tiff's image in the employment market. And compelling somebody to come and work for a company would seem to me foolish on the principle that,

and undertaking particular studies related to investment and development.

As far as I can gather, Mr. Ashworth also wants the newcomer to serve as a sort of missionary, converting the benighted "nether" still left within T.I. to a proper respect for economics as a useful discipline.

Applicants need a good honours degree in the subject and at least five years' relevant experience, including corporate planning work in an organisation with major interests abroad. Age indication is around the thirties.

No salary is quoted, but I would say that T.I. must be prepared to pay around £8,000 a year.

Bradford

NOR is my estimate of the T.I. salary a low figure when you see that the minimum salary for the Professor of Managerial Economics wanted by the Management Centre of Bradford University is only £8,106. To get one, however, I feel sure that the university would be able to pay a bit more, and whoever takes the post will no doubt be offered some lucrative consultancy work.

The Bradford Chair is vacant because of the fairly recent will be expected, of course, to depart of Professor Gerry Newbould in the U.S. With six Higgins said that at present

there are particular research interests at the centre in business policy and international operations.

What he could hardly say with prudence is that he would prefer to have somebody with experience of managerial economics in practice in the working world, rather than just in theory in academia. But I suspect that he would so prefer, and with knobs on.

So my guess would be that a person with successful working experience in economic analysis, corporate planning, or the assembling of business policy would have a distinct advantage. To get the job, however, this experience would have to be extra to a good honours degree in economics at bachelor-level, a higher degree in some subject of related kind, and a list of articles published on topics of economics and management.

Age could be anywhere, I suppose, between about 30 and 48. More information about the job is obtainable officially from the Bradford University registrar, Bradford BD7 1DP. But readers who would like to test their prospects informally could send outline career details to Professor Higgins at the Management Centre in Embs Lane, Bradford 9, or even tele-

phone him on 0274 42228.

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OPPORTUNITIES FOR NEWLY QUALIFIED ACCOUNTANTS ON MARCH 9 1978

The Financial Times proposes to publish, within its regular Thursday Appointments columns, on March 9 1978, a section headed "Newly Qualified Accountancy Appointments." This section is timed to appear following the results of the Finals, when several thousand newly qualified accountants will be in search of career opportunities. For full details of advertising in this section contact: James Jarratt on 01 248 8000. Ext. 539.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

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Royal Exchange
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A progressive career opportunity
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The positions are initially London based, but some
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audit.

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The men and women who
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(Ref. CP)

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(Ref. HR)

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- Operational Data Processing liaison.

(Ref: FAI)

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Application forms and further particulars are available by postcard request please, from The Personnel Manager, The Open University, P.O. Box 75, Walton Hall, Milton Keynes, MK7 6AL, or by telephone from Milton Keynes 63866 (24-hour answering service). Please quote reference number. Closing date for applications: 20 March, 1978.

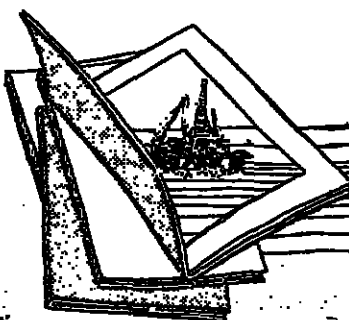
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Application forms and conditions of employment can be obtained from:
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South Square, London SW1P 1JA
Tel: 01-834 9434
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International

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Please write giving details of qualifications and experience to:

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Deloitte, Haskins & Sells, Management Consultants,
P.O. Box 207, 128 Queen Victoria Street, London EC4P 4JX.

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Secretary's Department

from £5,800

N.W. London

The Guinness group of companies covers a wide range of industries, including brewing, general trading, plastics and confectionery. Turnover is running at around £1.3 million per day. Two vacancies have occurred within the group at their brewery located in Park Royal, London.

Assistant Registrar

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Applicants, male or female, should write with details of age, education and experience to Miss A. P. Lloyd, Assistant Personnel Manager, Arthur Guinness Son & Co. (Park Royal) Limited, Park Royal Brewery, London NW10 7RR.

GUINNESS

Financial Controller

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Please write or telephone for an application form to: Mr. R. A. Ferdinand, Personnel Manager, Heathrow Hotel, Bath Road, Heathrow, Hounslow, Middx. Tel: 01 897 2419.

The Heathrow Hotel

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Candidates, male or female, in their early thirties, should be qualified Accountants who have had senior line management responsibility. A knowledge of the fast moving goods sector would be desirable. Ideally, applicants will have had experience in the pharmaceutical, toiletries or related industries.

The remuneration package includes a basic salary of up to £12,000 plus an annual bonus, a car and other benefits.

Please apply in writing, giving your telephone number and quoting reference 820, to Peter Barnett, F.I.P.M., M.I.M.C., Barnett Keel Ltd., Providence House, River Street, Windsor, Berks SL4 1QT. Tel: Windsor 57011. Telex: 849323.

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Financial Controller

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The Group Financial Controller will be heading an existing team of qualified and support personnel in the vital task of developing financial control systems and monitoring the management reporting procedures for three divisions involved in manufacturing and marketing.

You will need to be a professionally qualified Accountant, probably in your thirties, who has a proven track record in operating tight financial control techniques within an international business environment. Your career progress to date will also demonstrate your high levels of energy and enthusiasm and your ability to communicate these to others and, thus, motivate your team.

The starting salary for the right man or woman is negotiable up to £10,000 p.a., a company car will be provided and there are other first class benefits.

Please write, giving full details of your age, qualifications, career history and salary progression to date, stating the names of any organisations to which your letter should not be sent, to: T. L. Roberts, Director (Ref: 904).

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A subsidiary of a US public company, our client provides geophysical services to the oil exploration industry. Turning over \$50 million in the Middle East and Africa it is expanding rapidly. Applicants (male or female) should be recently qualified chartered accountants and should telephone or write to David Hogg ACA quoting reference 1/1643.

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Telephone 01-836 1707 (24 hr service) quoting Ref: 0271/FT. Reed Executive Selection Limited, 55-56 St. Martin's Lane, London WC2N 4EA.

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Telephone 01-836 1707 (24 hr service) quoting Ref: 0799/FT. Reed Executive Selection Limited, 55-56 St. Martin's Lane, London WC2N 4EA.

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The successful candidate will probably be presently working in a similar position in a major international group, may have worked in a bank, and has good professional and scholastic qualifications. The company headquarters are located in a part of South-West London and in California. Travel between the two centres will be necessary. Excellent salary and benefits will be offered.

Please write in complete confidence giving full details of career to date and present remuneration to: Box A.6282, Financial Times, 10, Cannon Street, EC4P 4BY.

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Candidates, aged between 35 and 45, should also have general management

experience, preferably gained overseas. Knowledge of financial reporting and computer programming is essential, as is an understanding of taxation.

In addition to the salary mentioned, attractive benefits are offered including a chauffeur-driven car, educational assistance for children, passage paid leave in the U.K. and non-contributory retirement benefits.

Please write with full personal particulars and career to date to Position Number ASF 6596, Austin Knight Limited, London, W1A 1DS.

Applications are forwarded to the client concerned, therefore companies in which you are not interested should be listed in a covering letter to the Position Number Supervisor.

AK ADVERTISING

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

SHIPPING U.K. drive plan for big gas tankers

IF ALL GOES well, an idea which was translated into a large piece of hardware in the U.K. some seven years ago, may find application in one of the most ambitious projects so far conceived to help meet the world's energy shortage.

The idea was to make use of the properties of certain metals which lose all resistance to electric current when their temperature is reduced to a few degrees above absolute zero by liquefying them into liquid helium. When they thus become superconducting, their ability to carry heavy current increases very sharply and it follows that on the basis of windings kept in a semiconducting state will be much more powerful within given physical dimensions than conventional units.

International Research and Development, a world-wide superconducting work through their development of equipment for the Royal Navy in 1963. They built the world's first superconducting d.c. motor in 1966 and, with the help of NRDC and C. A. Parsons, went on to construct a 3,250 hp electric motor of the same type which was delivered to the CEBG for evaluation at Fawley in 1971.

Since then, enough experience has been gained, especially on the side of the liquid helium/helium gas circuit and the design and operation of compressors needed to achieve liquefaction reliably over long periods, to enable IRD to offer a service for the construction of d.c. superconducting motors of at least the above size for industry.

This British organisation is still something like five years ahead of known developments elsewhere and will be making advantage of its lead to put forward its abilities as a contribution to an ambitious Canadian project for the transport of natural gas from the vast fields recently found around Melville Island in the far north of Canada.

The two options open to the Canadians are to build a pipeline, or build liquid gas tankers. The pipeline idea may not materialise because the line

would have to cross a number of islands to get to the mainland and it is already difficult enough to lay and operate such a facility in extreme climate and remote country, as is being experienced on the other side of North America.

The LNG tanker solution also poses a problem in that to make economic sense, the vessels will have to operate all round the year and thus be built as if they were very large icebreakers.

Propulsion of such big vessels would need something like 40 MW of power, and IRD representatives are going to Canada next month to argue that only d.c. superconducting motors are likely to meet the "instant" power needs of such vessels when they are actually breaking through ice floes several feet thick.

The requirement is for very high torque at very low speeds and the proposal would involve three big d.c. motors to drive the propellers, themselves driven from gas turbine units burning the boil-off from the methane tanks.

Dr. Appleton, who will be travelling to Canada with managing director, S. Roper, does not think there is too big a quantum jump from the Fawley motor to those that would be needed on the tanker. The Fawley unit is about 3m in diameter while the tanker units would be of the order of 4m.

Meanwhile, the group has not neglected a.c. motor designs and has been pursuing development with an ultimate target of a 1300-MW machine. At the moment, work is in progress on a rotor for a 60 to 100-MW generator and in 1979, a decision will be made whether or not to build a prototype rotor followed by the whole generator.

The next step would be in the hands of the CEBG, which is providing part of the research support, since it would involve a decision on the big machine in the late 1980s.

On the d.c. side, it is known that the U.K. has a clear lead. In a.c. machines, with the recent go-ahead for the construction of comparatively large hardware in the U.S., the lead is slipping.

More from I.R.D., Fosseway, Newcastle-on-Tyne NE6 2YD. 0652 650451.



This equipment has been devised by Tamplin Engineering, of Birkham, Chichester, Sussex, for producing free-flowing non-abrasive materials from ISO containers. It is intended for use with containers which have polythene liners and rear gravity discharge chutes. The material flows into the unit via the triangular hopper seen in front of the operator and the material is blown through the hose seen on the ground on the left to the receiving silo. As can be seen, the equipment has been designed to operate from a Land-Rover which is equipped with a Holmes blower mounted under the floor and driven by the gearbox power take-off. A secondary use for this equipment is as a standby unit for a fleet of pneumatic discharge vehicles. It could, go out to any vehicle which had mechanical problems with its blower and discharge its contents.

WELDING U.S. bridge problems

FOLLOWING THE discovery last year of cracks in the electroslag welds on the main girders of a bridge in Pittsburgh, U.S., the Federal Transport Commission has banned the use of this process in bridge building.

Remedial work—bolting on strengthening plates—is being undertaken on bridges where cracks have been discovered, at an estimated cost so far of several million dollars, and the final cost is likely to be much higher.

Concern has been expressed in engineering circles that because of the American action transport authorities in other countries may decide to impose a similar ban, although in the opinion of many engineers this would be totally unjustified, and would considerably increase the cost of bridge building.

Part of the problem is because, unlike most other developed countries, the U.S. does not have a stringent toughness specification for its bridge steels, despite the climatic extremes and earthquake hazards encountered there.

To ensure that no similar failure can occur in the EEC countries, a continuing programme of investigations into steel specifications, fitness for purpose, and the electroslag welding process is being carried out.

Supported by 20 European industrial sponsors, a £150,000 three-year research programme is now entering its final year. Work is being carried out at the Welding Institute, Cambridge, and at the universities of Aachen and Ghent.

Aim of the work is to gain further insight into the fracture performance of electroslag welds, and a better understanding of the fracture mechanics process, using the latest fracture toughness testing techniques.

Bridges in the U.K. are unlikely to suffer problems similar to those encountered in the U.S. because of this country's stringent bridge specifications (for example BS 4860), and because U.K. designers have much greater experience of the electroslag process.

Details of recent work in this field from the Welding Institute, Abington Hall, Cambridge CB1 6AL (0223 891182).

INSTRUMENTS Measures worked area

ACREAGE COVERED by any implement can be shown in either acres or hectares by the Hectaremeter, an instrument from RDS (Agricultural). By pressing a button, the driver can change the digital display from acres to hectares or vice versa.

It can be used with any tractor, combine harvester or other self-propelled machine. Counting automatically stops when a combine table or a mounted implement is lifted at corners or headlands. With trailed implements such as drills, the instrument is put "out of gear" at the same time as the drive to the seed wheels is disengaged.

With brackets supplied, a magnet and transducer are fixed to a king-pin and a non-driving wheel (the front wheel of a two-wheel drive tractor, for example) and connected by a single wire to the instrument in the cab. These two components supply the impulses which are counted by the electronic circuits in the meter.

After measuring the distance travelled per wheel revolution, the driver enters the figure into the instrument's memory in inches, or centimetres. This setting, though it may be checked and corrected at any time, remains the same for all implements. The only other setting of the instrument is for the width of the implement being used.

More from the maker at Stroud Road, Nailsworth, Stroud, Glos. GL6 0BE (045383 3787).

PROCESSES Powder route for tubes

FIRST powder metallurgy tube plant in the world is to be built by Granges Nyby at Torshälla in Sweden and should be in operation by 1980. In the meantime, the company is negotiating with several companies outside Sweden for the licensing of the manufacturing process, it has developed.

Major attraction of this process is that it offers a 60 per cent reduction in the energy needed to make stainless and high alloy seamless steel tube, the company developers assert, while resulting in higher yields of a product which has better metallurgical and frequently improved physical and mechanical properties. These claims are based on protracted work on the project with a number of domestic research institutes and on the results of operating a pilot plant.

Nyby's approach to manufacture is first to pour molten steel into an argon-filled lower some 40 feet high, blasting the stream of liquid metal with a powerful jet of inert gas and turning it into tiny particles which collect

at the bottom of the tower as a fine powder. This is compacted into moulds which are then subjected to isostatic pressing at 400 MPa, or about 4,000 atmospheres. This compacts the powder to around 85 per cent theoretical density.

The powder billet is heated and extruded to tube in a semi-finished state, providing a product with very high material uniformity, reduced segregation of alloying materials, and less variation in hardness.

Not all the equipment that is needed in the conventional method of tube making would become obsolete where the process developed by Nyby was introduced, since the new stages are at the start of the process with atomising and compacting. But there is growing emphasis on high quality of this sector of the industry and the new process offers a means of attaining this while cutting cost in the very sensitive area of energy demand.

Further details from Nyby Stainless, Lostock Industrial Estate West, Bolton, Lancs. BL6 4RG. 0204 692421.

Plastics foam plant

ANY COMPANY which uses 800 tons or more a year of expandable polystyrene—for packaging or insulation products—would probably find it profitable to make their own polystyrene, according to the Norwegian company, Sundes Plastic Industries AS.

This company has developed a process for making expandable polystyrene beads from liquid styrene monomer, which can substantially undercut purchase of the beads or the finished products from the usual suppliers.

As a turnkey project from a greenfield site, a 1,000 ton/year plant would cost under £1m, and be ready in eight to 12 months. Costs are considerably less if some basic plant and buildings are already available. Total plant area is 250 square metres, and only three or four operators are needed for the automated batch process. Cycle time is around 18 hours.

This plant will produce expandable polystyrene at around £350 a ton, compared with the usual price of about £500 a ton.

Sunde says average payback time for an installation is two to three years, and suggests that where a company may have excess capacity with such a plant, a joint venture with a nearby company would prove economically attractive. Because the product consists of about 90 per cent air, transport costs are generally prohibitive.

Bead size is adjustable from 0.2 to 0.5 mm. diameter, while the density of the expanded product can range from eight to 40 kg/cu metre.

Sunde makes a full range of plant and equipment for expanding the bead, and moulding, shaping and cutting it to produce all the usual expanded polystyrene items, such as building insulating board, food trays, packaging granules and moulded box packs for fragile products.

It is understood that two U.K. companies have already expressed interest, and the first order is to be signed shortly.

Details from Sundes Plastic Industries AS, 6010 Spjelkavik, Norway.

METALWORKING Zinc diecasting project

PRIMARY ADMS of a new project to improve technological standards in zinc die-castings are to gain much wider use of better process control techniques now available, and the adoption of new die design guidelines.

Taken together, these will enable die-casting machines to be used much more efficiently, and will reduce significantly the time for "trial and error" modifications currently necessary to bring a new die into effective production, as well as encouraging material economy by helping

make thin wall zinc die-castings where appropriate, says the Zinc Development Association (ZDA).

The project is financed, partly by a grant of £220,000 from the Department of Industry (DMRB), together with contributions from the industry to a total in cash and kind of some £6.6m, to be spent over three years.

The work is to be carried out by the ZDA in collaboration with the BNF Metals Technology Centre. More from ZDA, 34 Berkeley Square, London W1X 6AJ (01-499 6636).

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COMPUTING Pressure groups to close ranks

USER POWER is growing. This development has manifested itself in recent days by the proposal to form, on the one hand, the Institute of Data Processing Management (IDPMA) from the former DPMA and IDP, and on the other of the Conference of European Computer Users Associations (CECUA).

IDPMA has little hesitation in charting what it proposes to do... take over the role of the British Computer Society is one of the objectives suggested by some members who are largely involved in the proposed merger. But since the BCS covers such a huge area of international and national activities, the new organisation could find its talents spread too widely and too thinly from the outset.

It is to be hoped that since DPMA has always represented people with problems at the sharp end, that is, those faced with making equipment work once the supplier's installers have gone home, its demand for a better balance between the sales pitch and performance will be heard. At the same time, with IDP having a background of unrivalled expertise in creating the examination structure, which should produce the expert staff modern machines require, a more powerful organisation to press its demands on the now largely ineffectual educational system in the U.K. could help to avert a number of disasters in key computer areas.

The merged organisations could put heavy pressure both on builders and on educators. When it comes to the European super-set of user associations, CECUA, it is hard to see where the area of influence starts and ends. One national group has hitherto succeeded in having sharp price increases proposed by its supplier suspended for at least six months and with so much current pressure on the manufacturers of the bigger machines from outside suppliers, who can provide auxiliary equipment and software at lower prices, it is hard to avoid the conclusion that determined user pressure groups now can, far more than hitherto, make their voices heard on forthcoming supplier company equipment releases.

It is significant that the European conference has set as its primary objective "to interact with the European Commission on matters of interest to European users." The Commission certainly appears to need guidance, though it will take some time before the conference can make its presence felt.

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HANDLING Slewing jib cranes

A METRIC range of slewing jib cranes has been introduced by Herbert Morris, a Davy International company. It is intended for use in workshops, factories, garages and foundries, etc., for machine loading, maintenance, storage, and assembly.

Both wall-mounted and pillar types with either hand or electric drive are provided in capacities from 250 kg to 3 tonnes. Working radius is up to 6 metres and standard heights to the underside of the jib up to 4.5 metres. Jibs with larger capacities, radius and height can be produced.

Three pillar types are available, covering light, medium and heavy duty. Slewing arc of up to 450 degrees can be provided as standard for electrical hoisting cranes. Continuous slewing can be provided for hand cranes or for electric cranes by fitting slip rings. There are also three wall-mounted types, constructed so as to give a maximum slewing arc of 180 degrees.

More from the maker at PO Box 7, North Road, Loughborough, Leics., LE11 1RL (0509 63123).

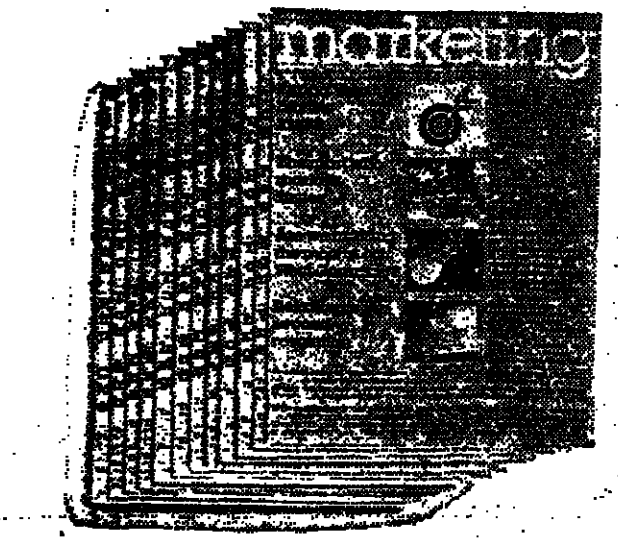
MATERIALS Asbestos no longer used

A RIGID sandwich panel made by bonding galvanised steel sheets to a mineral fibre reinforced core is now being made by Durasteel.

The company has stopped using asbestos to give fire resistance, but says its latest panels will withstand intense fire for long periods. The panels are about 9.5mm thick and are intended for use as partitions, computer and electrical switchgear housings, doors and so on.

Details of these asbestos-free panels may be obtained from Durasteel at Bradfield Road, Farnham Industrial Estate, Woking, Surrey, GU24 0JH (0483 71188).

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In our financial year, (Oct-Sept), figures from M.E.A.L. show that the Company as a whole was the fastest growing of Britain's top ten agency businesses.

Indeed, it was recently described by the Evening Standard as "the fastest growing agency in British advertising history."

This record of solid growth enabled the Company to become the only quoted Agency business which maintained its growth in earnings and its margins right through the 74/75 recession.

How was this track record achieved?

In essence, this performance has been made possible by one key factor - consistently

distinctive and successful creative work for our clients. Over the years this has resulted not only in winning more and more advertising awards, but also more and more business from existing clients.

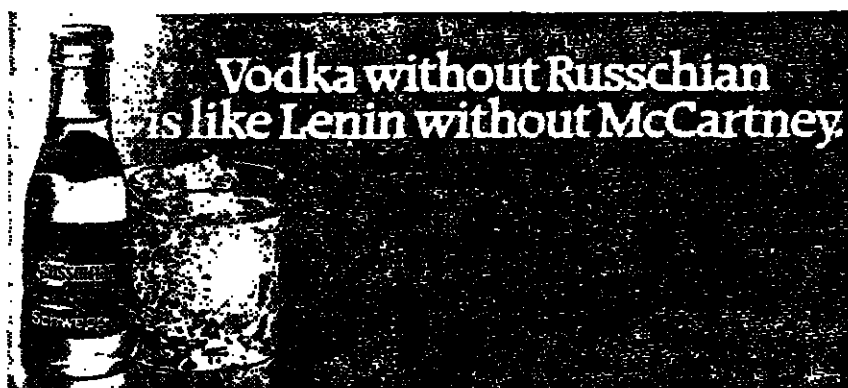
The agency is fortunate to work with a number of great companies, many of whom are predominant in their field. Much of our strength as a Company today stems from the benefit of growing with some of the world's most professional consumer goods

manufacturers; to the point where the Company has become a leading agency for many of Britain's leading advertisers.

Below are some of the new assignments gained in the year by Managing Director, Tim Bell, and his team at our main London agency, Saatchi & Saatchi Garland-Compton.

On the opposite page is a summary of the prospects for the advertising industry in 1978.

SOME OF THE YEAR'S NEW ASSIGNMENTS:



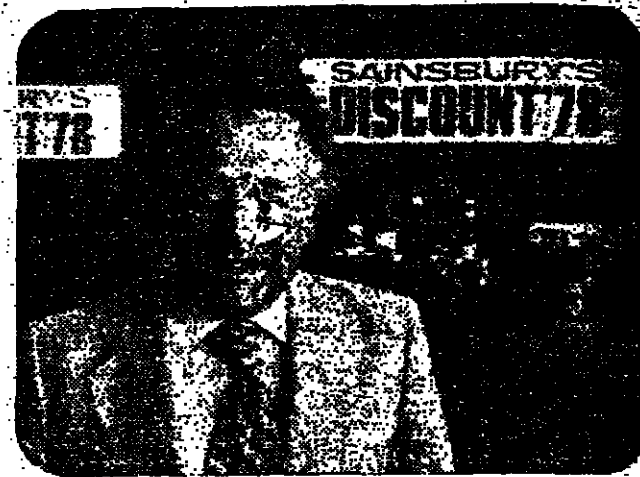
SCHWEPPE'S: LAUNCH OF 'RUSSCHIAN'
The agency also handles Schweppes Tonic Water, Bitter Lemon, Slimline, Ginger Ale and other mixers.



CENTRAL OFFICE OF INFORMATION:
Manpower Services Commission Youth Opportunities Programme.



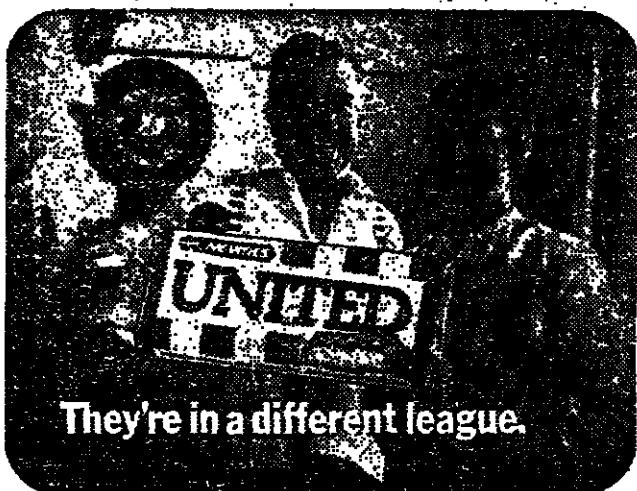
PROCTER & GAMBLE: NEW PRODUCT
The agency also handles Fairy Toilet Soap, Fairy Household Soap, Fairy Snow (illustrated) and Head & Shoulders Shampoo.



SAINSBURY'S



BLACK & DECKER



UNITED BISCUITS: LAUNCH OF 'UNITED'
The agency also handles Penguin, Cheddars, TUC, Bandit, 3p Wafer, Savors, McVitie's Krackawheat, Crawford's Pennywise Range, and for the KP Foods Division Hula Hoops, Discos, Rancheros, Skips.

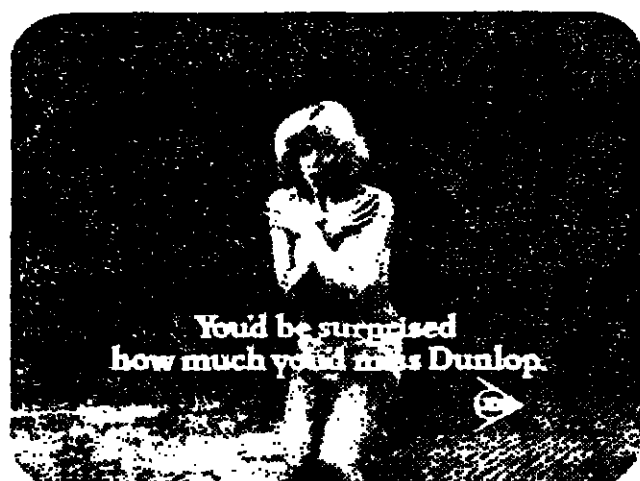


ROWNTREE MACKINTOSH: NEW PRODUCTS
The agency also handles Rowntree's Fruit Gums, Pastilles, Quality Street, Rolo (illustrated), Fox's Glacier Mints, Jelly Tots Range, Matchmakers, Good News, Texan.



BRITISH RAIL: AWAYDAY

SOME OF THE YEAR'S AWARDS AND COMMENDATIONS:



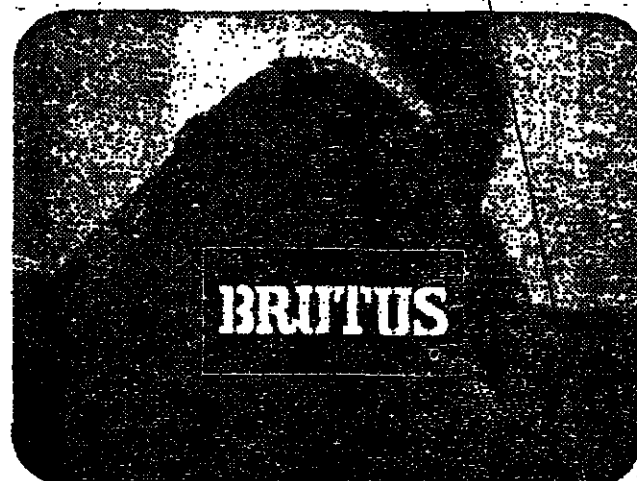
DUNLOP: CORPORATE
Gold Lion - Cannes Advertising Film Festival 1977
Premier Award - Cork Advertising Film Festival 1977



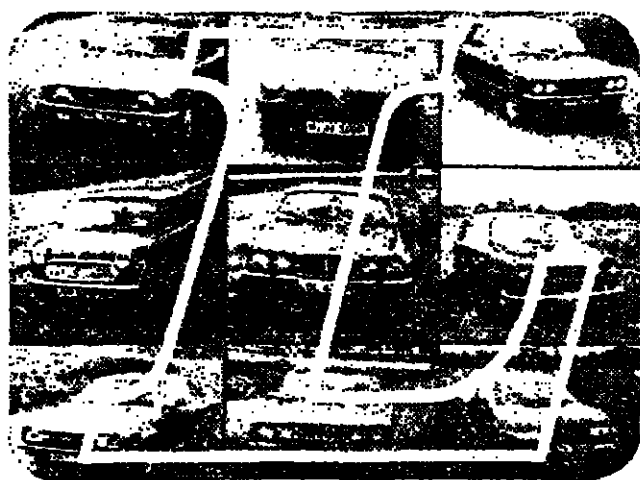
HARP LAGER: KRONENBOURG
Silver Lion for the Campaign - Cannes Advertising Film Festival 1977



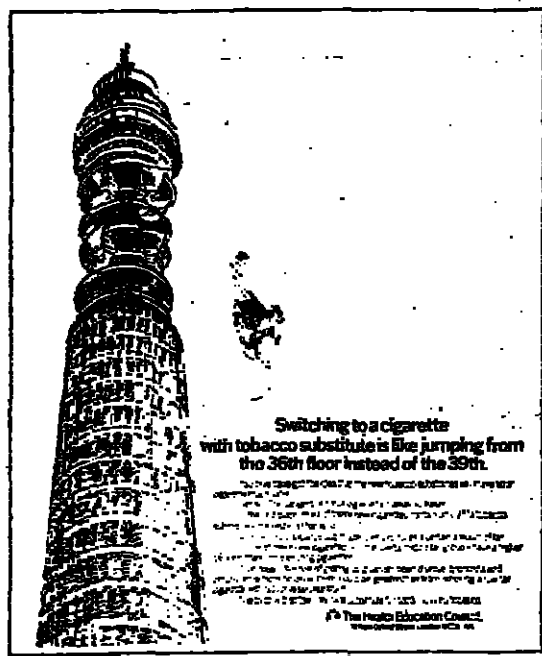
UNITED BISCUITS: PENGUIN
Diploma - London T.V. Advertising Awards 1977



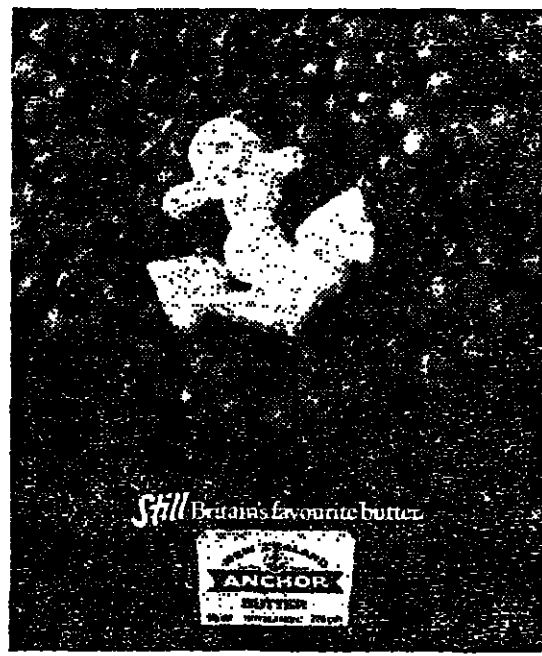
BRUTUS JEANS
Silver Award for Photography - D.A.D.A. 1977
Silver Award for Use of Music - D.A.D.A. 1977
Honour - Creative Circle 1977
Silver Award - London T.V. Advertising Awards 1977



BRITISH LEYLAND
Commendation - Rank Cinema Advertising Awards 1977



HEALTH EDUCATION COUNCIL
Selected for Advertising Age "Best British Ads" 1977



ANCHOR BUTTER
Honour - Creative Circle 1977
Diploma - London T.V. Advertising Awards 1977



CADBURY SCHWEPPE'S: 'STRAIGHT' SCHWEPPE'S TONIC
Commendation - Cannes Advertising Film Awards 1977

OTHER RECENT AWARDS AND COMMENDATIONS:

GOLD AWARD FOR THE BEST RADIO COMMERCIAL - British Caledonian; Campaign Radio Awards 1976. AWARD FOR NEWSPAPER COLOUR ADVERTISING - Leyland Cars Dolomite; Campaign Press Awards 1977
SILVER AWARD FOR THE BEST ENTERTAINMENT MEDIA COMMERCIAL - The Evening News; Campaign Radio Awards 1976. GOLD AWARD - The Health Education Council; Rank Cinema Advertising Awards 1976
SILVER AWARD - Daily Mail; Institute of Marketing Poster Awards 1977. COMMENDATION - Evening News TV; Creative Circle 1977. COMMENDATION - Associated Newspapers' Weekend Magazine; Creative Circle 1977
COMMENDATION - Evening News Posters; Creative Circle 1977. COMMENDATION - Leyland Cars MG; Creative Circle 1977. GOLD LION CINEMA - Health Education Council; Cannes Advertising Film Festival 1977
COMMENDATION - Leyland Cars Dolomite; Creative Circle 1977. DIPLOMA - Smith & Nephew's Nivea; Cannes Advertising Film Festival 1977. DIPLOMA - United Biscuits KP Rancheros; Cannes Advertising Film Awards 1977
COMMENDATION - United Biscuits Krackawheat; Cannes Advertising Film Festival 1977. DIPLOMA - Jaffa; London T.V. Advertising Awards 1977. BRONZE AWARD - Evening News; London T.V. Advertising Awards 1977
SILVER AWARD FOR THE BEST ADVERTISING CAMPAIGN - Rank Wharfedale; Campaign Radio Awards 1977. SILVER AWARD FOR THE BEST RETAIL ADVERTISING - Sainsbury's; Campaign Radio Awards 1977

The Marketing Scene

BY MICHAEL THOMPSON-NOEL

ANXIOUS TO REBUILD its tattered image, British Leyland is embarking on a special 30,000 corporate campaign this weekend in a bid to counter many exaggerated statements about the company's strengths. The advertising is being handled by a barely known Anthony Dickson, chosen by Leyland chairman Michael Edwards on the strength of the agency's corporate work for the Chrysler group.

At the same time, arch rival Ford has launched a £300,000 campaign for its new Capri—the first new car Ford has launched in the past 18 months.

The Leyland campaign will feature Freddie Laker and Ron Barker. Jeff Smithers, managing director of Anthony Dickson Associates, said yesterday: "Leyland recognises that the only way to improve its public and corporate image is with an advertisement in business performance."

"However, the image of the company has fallen to an unenviable level, partly because of exaggerated statements and a general lack of awareness of the company's strengths. As we shall be saying in our campaign, there is another side to the story."

The ads will seek to demonstrate the value of Leyland to Britain, emphasising that it is the only major British-owned car manufacturer and stress how it backs British as an exporter and major employer.

Leyland Truck and Bus is under discussion. DDB, which

CAR SALES TOP TEN

(January-December, 1977)

1) Ford Cortina	120,601
2) Ford Escort	103,389
3) Morris Marina	96,088
4) Leyland Mini	60,337
5) Austin Allegro	56,175
6) Vauxhall Chevette	51,763
7) Ford Capri	42,816
8) Vauxhall Cavalier	41,328
9) Ford Fiesta	40,934
10) Datsun Sunny	35,257

Source: Society of Motor Manufacturers and Traders

running a £130,000 Press campaign via McCormick Richards to promote the new Super G Cab being fitted to seven of its trucks.

● **ADVERTISING** of chicken handled through the British Poultry Meat Association has a doubled media budget for 1978, bringing total spending for the year to a record £1.5m. The 1978 budget for turkey, handled through the British Turkey Federation, will also be at a record level of £700,000. The agency handling both campaigns is Ogilvy & Benson and Mather.

● **DOYLE DANE BERNBACH** has been appointed to handle Scotland's and Newcastle's Bitter only two months after resigning £300,000-worth of Allied Breweries' business. Younger's Scotch, formerly with Benton & Bowles, is sold nationally, though its main strength is in the North where it is increasing its sales and share. The 1978-79 budget is under discussion. DDB, which

in December resigned Allied's Ansell, Tetley and Ind Coope beers after disagreements over a new campaign for Ansell, says it was left with a group of highly specialised beer people who can now help with their new client's plans for expansion across the board.

● **CHARLES BARKER** has launched a new operation, Charles Barker Corporate Design and Communications, as a business communications consultancy. Clients already include Metal Box, BAT Industries and S. Pearson. A combined fee and commission income of £150,000 is expected this year.

● **BERGER'S** first major campaign since it switched agencies to J. Walter Thompson to Allen, Brady and Marsh began yesterday with the start of a three-week, £500,000 TV campaign aimed at boosting both Berger and its existing brands, Magie, Broke and Colorizer.

● **OGILVY AND MATHER** International has reported record earnings for the year ending December 31, 1977. Net profit increased 37.9 per cent to £10,670,000 (£8.58 per share) from £7,795,000 (£4.18 per share) in 1976. Fees and commission income for 1977 rose 34.7 per cent to £151.4m.

● **ADVERTISING** is gaining credibility, according to a new NOP Market Research survey: 34 per cent of the population now believe it does tell the truth, says NOP, compared with 24 per cent two years ago. But attitudes to fancy packaging remain hard: 88 per cent believe there is too much of it.

Chemists perk

BY PHILIP KLEINMAN

INDEPENDENT chemists' shops are fighting for survival in the face of the remorseless advances of the multiples. After ten years in which the independents' number has declined from about 15,000 to around 8,500, it looks as if their future may be brighter.

Last year, although 250 of them went broke—one every working day—the number of closures was less than in 1976, and figures for November, 1977, showed that for the first time in years the number of new pharmacies opened was greater than the number of closures.

Among the factors helping the small man to stay in business are the growth of the co-operative pharmaceutical wholesaler Unichem, all of whose 3,300 shareholders are independent chemists, and its increasingly sophisticated and aggressive marketing policy.

This week-end sees the start of a promotional campaign by Unichem in which it will, for the first time, use national TV and radio advertising (through agency Beam Communications) to back a consumer competition. Entrants in this "Gastaway Prices" competition will be asked to match illustrations of five products—Colgate's toothpaste, Radox bath salts, Sunsil hair spray, Gold Cap baby food and Dr. White's sanitary towels—with the names of their manufacturers.

First prize is a holiday for two in Tobago and other prizes include colour TV sets. The promotion is naturally being supported by the featured manufacturers, but the purpose of it is not so much to increase their sales as to give the independent chemist a bigger share of them.

The exercise follows the success of a similar though less costly promotion last autumn, when Press and Posters were the only back-up media used. This month's effort has already been successful, even before it starts, in increasing the number of Unichem's shareholders and other customers.

To become a member one has to buy at least 600 £1 shares. These are interest-bearing: in 1976 the rate was 16 per cent, but the 1977 rate, not yet determined, will be lower. No member can own more than 1,000 shares, a maximum soon to be raised to 5,000.

As well as the interest on their shares, Unichem members get a share of the company's profits in the form of a rebate on the amount of business they do with the wholesaler. In the financial year ended December 31, 1977, £500,000 was distributed in this way out of profits of £2.1m. In

the year just ended profits are expected to be around £3m, on a turnover of £72m, which is 34 per cent greater than the 1976 turnover figure of £53m, and more than three times that of 1974.

So Unichem is doing well. But the history of the company, founded 40 years ago, is not one of trouble-free expansion. In 1971 in fact it reached the verge of bankruptcy. It was then that the present managing director, Peter Dodd, 42, was appointed. Dodd had arrived at Unichem two years previously as finance director, but after a



A smile from the UniChem commercial. The advertising is costing approximately £100,000.

MEDIA WEIGHT TESTING

BY CALLAGHAN O'HERLIHY

Halldoor of a secret advertising scandal

THE BRAND LEADERS in the German and U.K. detergent markets have the same name, Persil, but these Persils differ in many ways: product formulation, ownership (Henkel and Unilever) and advertising media policy. In the U.K., Persil is almost entirely advertised on TV. In Germany, Persil is advertised on TV, in illustrated magazines and on radio and posters with less than half the total expenditure going on TV. Which media policy is more sales effective?

In my experience with U.K. and German advertised brands, decisions on media allocation policy tend to be largely based on historical circumstances. What was done in the past tends to be repeated, and the consequences of repeating the past normally generates complacency about such a question. However, the answer to such a question requires considerable experimentation in trying alternative media allocations and the evaluation of these different policies on sales. This is, of course, a difficult task, and leads us to consider the results of such experiments on advertising questions: it also leads us to the halldoor of the secret scandal of advertising, marketing, and media weight testing.

cent. success rate suggests that, own the brands in each current test procedure is extremely bad. This arises from several factors of which the most important is that the influence of all other factors on brand sales are assumed to have the same effect in each region. No attempt is made to measure the sales effects of other factors influencing brand sales, such as price activity, distribution charges and so on for all brands in the market. (They are often off-charge to explain why the test is a failure but not integrated into the evaluation.)

For normal competitive markets, variation in brand prices (due to promotional monies going directly via coupons and flashbacks, or indirectly by means of in-store promotions, bonuses and so on, to consumers) is the major cause of variation in brand sales. My company has measured brand price elasticities in many markets and some range up to seven. (A price elasticity of 3.5 would indicate that a 10 per cent consumer price cut achieved in-store would increase consumer off-take by 35 per cent approximately.)

The average for brands in competitive markets in our experience is about 3.5. Consequently, if price movements of the brand (relative to the market) should vary between regions from year to year, which is certainly our experience, it will be no surprise that the effect of such price variation on sales will be large. Similarly, with the effect of other factors. Obviously a successful media weight testing procedure must take the sales effects of such other factors directly into account so that the influence of advertising weight variation on sales can be isolated. This requirement is fundamental.

Media weight tests are run by most companies to appraise how much should be spent on advertising. What happens, typically, is that one TV region has bursts of advertising at, say, 50 per cent more than the national norm and sometimes, though this is less typical, another region is down-weighted by 50 per cent. After a year the data is analysed. Percentage changes in brand sales or market share are calculated for the year of the test compared with the previous non-test year.

Let me quote Cirkindale and Kennedy from an Appraisal of Media Weight Tests who say that "Within the body of experience of sponsor companies only about one in 20 media weight tests have produced conclusions." (The major U.K. advertisers sponsor the authors to conduct research into advertising at Cranfield). Can it be possible? A 5 per cent success rate?

It could be argued that I am being unfair to current media weight testing because the problem of measurement is decidedly complex. The problem may be complex, but its scientific treatment is not in any sense extraordinary. And scientific treatment has not normally been tried!

What is wrong with current media weight testing? A 5 per

cent success rate suggests that, own the brands in each current test procedure is extremely bad. This arises from several factors of which the most important is that the influence of all other factors on brand sales are assumed to have the same effect in each region. No attempt is made to measure the sales effects of other factors influencing brand sales, such as price activity, distribution charges and so on for all brands in the market. (They are often off-charge to explain why the test is a failure but not integrated into the evaluation.)

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There are other defects in current practice, both of a technical and conceptual nature, but this article is not the place to explore them. In the U.K. at the moment to our knowledge four brands (with large advertising budgets) are undergoing carefully prepared and scheduled tests. At least three TV regions in each case will use the new media schedule which is predicted to be more sales effective. An economic analysis at the end of the year will be able to separate out the influence of advertising policies from price and other factors. Different companies, incidentally, own the brands in each

Opposition to Brussels

THERE WERE SOME swift reactions in London yesterday to the news from Brussels that the EEC Commission proposals, European courts will be given powers to ban misleading or unfair advertising and demand publication of corrections—even before the matter has been proved in court.

The Commission has sent a draft directive to the Council of Ministers for approval. According to which existing European laws would be harmonised and, in some cases, strengthened.

Roger Underhill, director-general of the Advertising Association, assumed that the latest EEC proposals did not differ significantly from those published last year. "The central difficulty is that the EEC is trying to solve advertising problems by law while

we solve them very satisfactorily by legislation and voluntarily. If the proposals go through as they are, we would be forced into considering which the German system, which is by far the best, is the most effective and fast and flexible, so the EEC rules would be retrograde. The Commission should be working towards harmonisation of objectives but flexibility of methods."

Gilbert Lamb, director of the Incorporated Society of British Advertisers, said he could not comment on the proposals until he had seen them.

"But if they are like the draft which we have seen, we will leave no stone unturned to have them amended. They are not in the interest of the consumer. We don't believe in the sort of systems that exist in the Continent are as effective

live in the control of misleading advertising as the systems which exist in Britain.

"The EEC proposals seem to suggest that the voluntary system can exist side by side with recourse to law, but advertisers would not pay for the voluntary system as they do now in the U.K. If they could be clothed by the law afterwards, ISBA and the other bodies will be lobbying the U.K. members of the European Parliament and of the Economic and Social Committee to put our points of view."

Comparative advertising would be allowed, according to the draft directive, providing it was based on verifiable facts, was not misleading and did not injure the commercial reputation of companies or individuals by employing false statements.

PROSPECTS FOR THE ADVERTISING INDUSTRY.

1. Outlook for Advertising Expenditure.

In recent years, the trend of industrial profits has provided a good lead indicator of the level of advertising spending. Hence the strong upturn in profits after the first half of 1975 has been reflected in buoyant real advertising expenditure (taking 'real' as a larger increase in spending than in consumer prices).

FIG. 1

Per Cent Change	1975 Actual	1976 Actual	1977 Forecast
TV ADVERTISING	+8	+21	+16
CONSUMER PRICES	+2	+5	+3
INDUSTRIAL PROFITS	+1	+4	+3

Source: Philips & Drew

Most observers are now forecasting little or no growth in profits in 1978. On past evidence, this would in turn raise doubts about the extent of any further growth in real advertising expenditure in 1978.

This may, however, be too cautious a view. The figures below, which are estimates by brokers Phillips & Drew, suggest that the substantial profits upturn of 1976 owed a great deal to higher profits on exports and from overseas subsidiaries. These two sources together accounted for over half of total company profits in 1976.

FIG. 2

Per Cent Change	1976 Actual	1977 Forecast	1978 Forecast
OVERSEAS PROFITS	+4	+6	+10
EXPORTS	+25	+22	+16.20
EXPORTS	+46	+12	+30
OVERSEAS AD	+25	+5	+15.5

Source: Philips & Drew

In the current year, continued buoyancy in profits on domestic business has been partly offset by a marked slowdown in profits from overseas subsidiaries, reflecting a deterioration in most world economies together with the adverse effect of the recent recovery in sterling. As Phillips & Drew point out, the forecast of only 10% overall growth in industrial profits in 1978 conceals a likely 15-20% rise in domestic profits, a pronounced fall in export profits in the wake of sterling's recovery, and some resumption in overseas profits growth.

It seems logical that profits on domestic business should be the major determinant of advertising expenditure. On this basis, a further increase in advertising spending seems likely in 1978—particularly as consumer spending, which has in the past provided a useful secondary guide to the strength of an advertising upturn, should show a marked recovery in 1978 after three depressed years. Overall, therefore, a tentative forecast of a 13-15% increase in advertising expenditure in 1978 seems reasonable. This would represent growth some 4-6 points faster than that of consumer prices in general—another year of real growth.

2. Stability... or Volatility?

We said in our last Report that the old idea of the fickle client shifting massive billings from agency to agency was becoming less and less relevant to

the firm picture emerging at the top of British advertising. The profile of the top ten agencies in this decade reveals an industry continuously dominated by virtually the same companies.

How has this come about?

a) Longer relationships

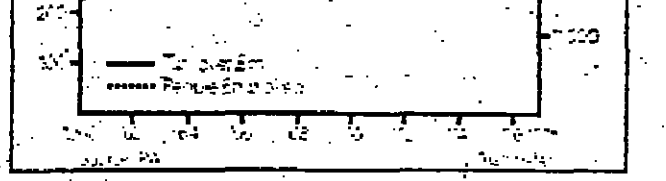
A glance at the client list of Britain's largest agency J. Walter Thompson, reveals that giants like Lever Brothers, Rowntree Mackintosh and Kellogg have been with that agency for 51, 47 and 40 years respectively. In fact, one recent calculation showed that on average, accounts worth only 2% of total advertising expenditure change agencies each year.

Furthermore, the increasing internationalisation of advertising accounts, whereby agency networks handle clients across a number of world markets, has added to the stability of the top agencies. In our own case our Agency's association with Compton Inc. gives us links with one of the strongest agency networks, with offices in every major marketing centre of the world.

These stable relationships have meant increasingly secure and stable agencies at the top of British advertising.

b) More professional.

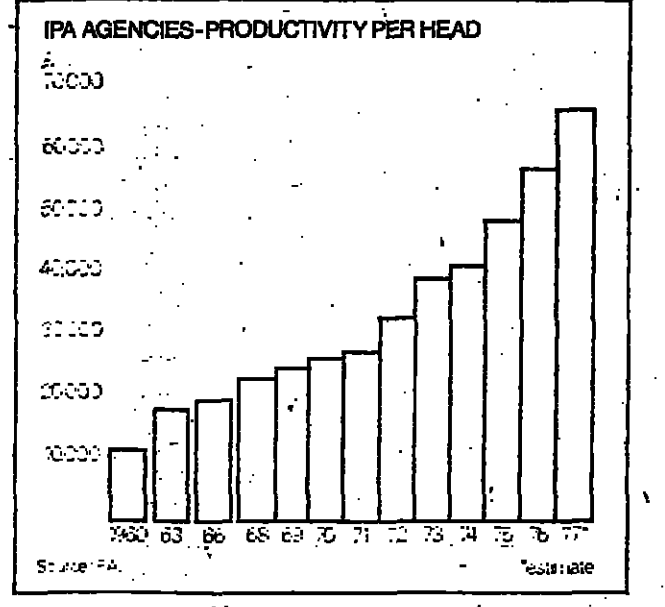
It often used to be said that advertising agencies operated in their own world—a world of perpetual flux and change, a world built on the shifting sands of personal relationships with clients, into which the cold blasts of modern management techniques rarely intruded.



The truth is that the 'Gin & Tonic' adman, the client who regarded his advertising as an entertaining pastime—all of Britain's largest agencies left these cliché characters behind them long ago in the expansive days of the '50s and '60s. The less agreeable economic climate of the last decade has seen a dramatic and substantial improvement in business management in the industry. A new generation of professional managers has emerged at the top of Britain's major agencies, and Figures 3 & 4 illustrate the continuing trend to greater productivity that has resulted.

c) More broadly based.

As more and more sectors of the economy have come to see advertising as a major force in their business, this has meant that large agencies have become more and more broadly spread in terms of their sources of income, and increasingly less dependent on any one sector of the economy. For example, it is no longer the case that detergent and food manufacturers dominate TV advertising.



Many new categories of advertiser have emerged—records, films, motors, financial and many others. Indeed, advertising activity is now spread across many different industries, and any large agency which has a good spread of business avoids the danger of exposure to too narrow a spectrum of industries in this way. This ever-widening spread of categories of advertiser has over the years made a broader and therefore more stable base for Britain's largest agencies.

3. The Future.

But although the growth and expenditure prospects seem good, the industry's most fundamental problem still awaits a solution. For within much of British industry it seems that the advertising business has achieved a position of much glamour, but little real influence.

It is inconceivable that it would be said of Britain's advertising industry, as it recently was of Japan's, that it is now "enjoying unprecedented prestige and influence". Or that it could be said of any British advertising agency, as it was of Japan's largest agency, Dentsu, that "there is no doubt that the prestige and influence of the advertising industry is largely due to the contribution Dentsu makes to the economy and to society".

In Britain, there is hardly one marketing professional whose advice is seriously sought by government in economic affairs; hardly one marketing voice in a significant position in the planning of our industrial strategy; even today, there are many leaders of industry for whom advertising and marketing are still not 'second nature'.

Why does this matter?

It matters because a lack of prestige for the advertising industry goes hand in hand with a lack of prestige for the 'selling' function which in turn goes hand in hand with a general lack of marketing orientation and outlook.

And why does this matter?

Because the perspective on events that advertising and marketing teaches could be an invaluable tool in the resolution of some of Britain's present economic ills.

This perspective means an orientation more towards the consumer, to the buyer and to the market; to identifying market opportunities, measuring them and seizing them with new products; to gearing up investment and production towards clearly defined market gaps; towards rationalisation of brand and product lines and to concentration on products which have a real selling story, a real 'positioning'.

All of these benefits can be derived from this perspective and they will all be lacking in an economy where marketing lacks real status in top industry and government circles.

For the fact is that the marketing and advertising function should be central to the growth of a free enterprise mixed-economy in Britain.

This is so because the essence of any vigorous free enterprise system is a supply and demand mechanism whereby manufacturers, impelled by their own self-interest, produce and promote better and better goods for the consumer, and hence a better and better standard of living for society as a whole.

The more sophisticated manufacturers, whose business is already built on these sound marketing principles, do indeed strive to better identify and measure consumer demand, and to produce better products to meet that demand.

They do indeed try to make those products contain real consumer benefits; and they do invest in research to create those benefits and, indeed to create them at the lowest possible cost.

It should be stressed that they do this in their own self-interest—in order to earn the highest possible level of profit so that they can reinvest those profits in the next generation of new products—and so the cycle goes on.

The advertising industry is at the core of this process—helping to create the products that create the profits that create the fuel for air conditioning economy.

All of this activity, propelled by self-interest, and the workings of Adam Smith's 'Invisible Hand', comes together to produce greater and greater wealth for society as a whole.

If you would like to read more about how the advertising industry benefits the economy in this way, or if you would like a copy of our full Shareholders Report please write to the Secretary at 80, Charlotte Street, London W1A 1AQ.

SAATCHI & SAATCHI COMPANY LTD.

20 LOMBARD

Doing quite well, thank you

BY JOE ROGALY

UNDERNEATH the gloom and despondency of the years since 1973 one question has persistently nagged at those who trouble themselves about the state of British society: why is it not even worse? Why do we not have a revolution, or at the very least a collapse of the social order when all the ingredients for such a catastrophe seem to be there?

This kind of question was openly asked by many people in 1974 and 1975, and if one wanted to be charitable one could argue that the excesses of the Wilson administration in those years in fact constituted an effort to buy off social unrest. It could then be said that costly as it was in terms of inflation, the balance of payments, and public expenditure the "social contract" did pay off—the ferment that existed in so many imaginations did not emerge on the streets. Stability was restored. Neat as this argument may be, it is weakened by the publication this week of the results of the 1975 General Household Survey, which indicate that people may have felt more disgruntled at that time, but that the material conditions of life of most of the population continued to improve. The stability was there, at the foundations, all the time.

Housing

For example, the national housing "crisis" was visibly melting away, even though there remained areas at the margin in which large numbers of people were trapped in slums that the body would want to endure. But the one of the classic measures of housing distress: sole use of a bath or shower. In 1971, the General Household Survey tells us, 88 per cent of households had such use. By 1975 the figure was 92 per cent. And in shared facilities, and the number of households without any bath or shower available is down to 5 per cent. Could this be the best performance in Western Europe?

The figures show a similar improvement for sole use of an inside WC (now 91 per cent), while the number of households with central heating rose from 35 per cent in 1971 to 47 per cent in 1975. It is presumably higher by now. Or consider the quality of housing. The table entitled "Tenure by difference from bedroom standard" shows a steady increase every year, until in 1975 to be not much more than 4 per cent. Some of these will be unhappy families

in miserable conditions; others may simply be young people in crowded digs.

This satisfactorily housed population is by and large blessed with most of the consumer durables it could want. We are up to 95 per cent, possession of (rented or owned) TV sets, with 91 per cent, having a vacuum cleaner and 85 per cent a refrigerator. The washing machine is right up there too, at 71 per cent, in spite of the spread of laundrettes, and while there is plenty of room for more in possession of telephones (just over half the households) the explanation may lie as much in the pricing and investment policies of the Post Office as in the true state of demand or ability to pay.

Grumbling

This is not to say that there is no grumbling. The validity of attitude surveys—how happy are you?—is not so certain as a straightforward count—but when annual repetition of the same question shows a definite trend there may be something in it. And the Government's questionnaires have found that the number regarding themselves as "very satisfied" with their jobs declined from 83 per cent in 1971 to 45 per cent in 1975.

It also appears to be the case that the unemployment statistics do not tell the full extent of the story. In 1975 13 per cent of the males found out of work were self-employed as unemployed. And some 70 per cent of the married and 42 per cent of the unmarried females looking for work, waiting to take up jobs, or off sick were not on the official register of unemployed. It is clear that in spite of the continued growth of material well-being, those otherwise stagnant years did leave a great many people on the sidelines.

From the point of view of social analysis, however, the truth seems to be that the worst-off among us were too much of a minority to constitute a political threat. This is a harsh truth, but on moral grounds alone it should lead our politicians to seek new ways of assisting those who are most unfortunate. But somehow the picture of sheer complacency conjured up by the General Household Survey suggests that the interests of the vast not too badly thank-you majority will continue to prevail.

General Household Survey, 1975. H.M.S.O.

Set of four candlesticks are top lot at £9,000

A set of four Dutch alt candlesticks, made around 1670 was the top lot at £9,000 in a sale of English and foreign silver at Christie's yesterday.

The sale, which was dominated by London dealers, totalled £107,315. Lumley paid £3,800 for a Queen Anne table service while a set of five Victorian dessert stands by Walker and Hall, made in Sheffield in 1888, went to Eimanel at £3,200, and eight George III candlesticks by John Parsons and Co., Sheffield 1787 and 1790, to Shrubsole at £3,000.

There was an extraordinary price of £7,000, paid by an Italian bidding by phone, for "Figura" an oil by Bruno Casarini. It had only been estimated at £200-£300, and was the top price in a Sotheby's

sale of minor impressionist and modern art which totalled £25,899. "Au Cabaret" by Vera Rockline, sold for £4,800.

In the same Sotheby's books at Sotheby's in Chancery Lane, which totalled £10,515. Quaritch paid £450 for "Sonnet for the Nursery" of 1825 and David Temperley £320 for "Reuben Ramble" Travels in 1842. The New York edition of "The Family Robinson Cruise" of 1816 fetched £100.

Sotheby's Belaravia furniture sale totalled £176,095. There was a good price of £7,500, over twice the estimate, paid by Jay for a pair of "Louis XIV" side cabinets, made around 1870, and the same buyer acquired a

Business and the Courts will not be published this week because of A. H. Hermann is ill.

"Regency" bureau play of the same period for £6,000. A late 19th century tin canister and Savoy brochure du jour realised £4,500 and an Erard piano £3,500. Bonham's sold watercolours and drawings for £17,849 with just 4 per cent unsold. Sewell gave £1,000 for the frontispiece and 100 illustrations of "Livre de Fables" by Jean de La Fontaine, 1763, and a 19th century watercolour by William Collier. A stater of 370 BC from Lycia with a portrait of Pericles sold for £5,000 in a Glendining auction of Ancient Coins.

Willis the hero—Boycott the 'villain' vindicated

ENGLAND levelled the series in the most convincing manner when they bowled NEW ZEALAND out in less than three hours for 108 and won the Second Test by 175 runs. An excellent spell by Willis, who took four wickets for nine runs in his first six overs of the day, was the key to England's victory.

Boycott had declared England's second innings at their overnightsure of 96 for 4 and this left New Zealand a full day in which to score 220 on a pitch which had held up surprisingly well.

CRICKET
BY HENRY CALTHORPE
Christchurch, March 1

Willis reduced them to 48 for 5 by lunch and Botham and Edmonds shared the rest of the day, with a century for Botham. This was an important result for England's cricket after their defeat in Wellington and one in which three of the newer players contributed significantly. Botham had one of those matches in which he could do nothing wrong. He made 103 and 30 not out, took six wickets, and held the New Zealand second innings. Edmonds made 50, took six wickets for 60 in 40 overs and held five catches, while Miller made 66 not out and held three catches. Botham's Test in succession his off breaks were not needed. These are cricketers who should play a big part in England's progress over the next few years.

Botham and Edmonds are strong, extrovert characters who will thrive on their success, and if Miller is less confident, each of them is a great help to him. For all that, England owed most to Willis. This morning he was consistently fast and accurate and beat all the batsmen by his pace. Comparisons of the speed of genuinely fast bowlers are not easy to make from the Press box, but in the last week or two Willis has been genuinely fast and could stand shoulder to shoulder with the Australians and the West Indians.

The England fielding was impressive and Anthony's first catches, three in the last week or two, were taken in his left hand, low down and at full stretch. His third was an

awful catch in the gully, and the ground fielding was extremely tidy.

It is no coincidence that this much-improved performance by England came on probably the best pitch they have had in New Zealand. It lasted better than one had anticipated and had a reasonable balance between ball and bat. It was also noticeable that England's batsmen seemed much more resolute than in the first Test at Wellington, and the credit for this must go to Boycott.

His handling of the match often seemed strange, but the final outcome completely justified all that he did even if the pitch did not turn out as much as he anticipated.

Many captains would probably have batted on for a few more minutes, this morning and afternoon, in the hope of winning the match. It would not have mattered. Boycott was right to give his bowlers as much time as he could.

Perhaps New Zealand were overconfident when they went into the match. Their bowlers were unable to take advantage of a good start on the first day and when they were under pressure the batting did not look good.

It will require a great effort from their captain, Burgess, to lift their morale in time for Saturday's Third Test in Auckland.

John Edrich, the England and Surrey cricketer, will be responsible for the organisation and administration of the tour.

The Strongbow Pub Cricket tournament will be a knock-out basis competition, with the finals at the Oval in September.

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BOB WILLIS the matchwinner.

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land which will now be played over six days.

Unfortunately, this Second Test will be longer remembered for his way in which Chisfield ran out Randall when he was backing up on Tuesday evening. It was an act which I am sure the bowler and anyone who put him up to it, already regret. It is astonishing, though, that neither Burgess nor Frank Cameron, the chairman of their selectors who was manager of the New Zealand side for this match, have not between them offered an apology or explanation to the England captain or manager.

The television replay made the incident seem even worse than it had at the time. When Chisfield broke the wicket Randall was only six inches out of his crease and the incident has been roundly condemned in New Zealand.

The implication behind the silence from the New Zealand side, is that Chisfield's act was justified. I have never seen cricketers as upset as the England players last night and I am sure that this one act of stupidity will rebound on New Zealand cricket for some time.

The umpiring has been a constant worry on this tour and there were another strange occurrence. Umpire Goodall, at the Cashmere End, interpreted the rule about bowlers following through on the pitch differently from his colleague Montiel, who was now at the Pavilion End.

At Goodall's end there is a large rough patch into which Montiel had earlier allowed the bowlers to follow through with impunity. Goodall had different ideas about the matter and Montiel was landed on this patch which forced Boycott to have a five minute discussion with Montiel at square leg who, as a result, spoke to his colleague.

While Montiel may not have been severe enough, Goodall was probably too strict for most of this tour. The conditions which produce wet-snow breaks. None-the-less, Goodall has an unfortunatly officious manner in all that he does and may not find it easy when he comes to England to stand in county cricket for half the coming season.

Boycott said after the game that he had objected to one of the two umpires chosen for Saturday's Third Test and it needed no great guesswork to realise that Goodall was the man

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Bleepers reduce skiing dangers

AS WE strung the small yellow boxes around our necks there were a few jokes. One by one we undid the zips and adjusted the controls to "transmit". Then we were on our way off to explore the mountain where the ski lifts never run. The small Austrian made devices we were carrying were bleepers, and throughout our ski day each one would continue to transmit a steady pulse which can be picked up by any other bleeper with its controls set to receive.

This modern and rather more effective replacement for your ski companions, or a rescue party, to find you quickly should you be overwhelmed by a "snowout" of white powder and in put the system to the test, except in training, but certainly feel a great deal safer when using it.

We are coming up to the time of year when the avalanches will

start to run in many mountain areas. For the normal skier this produces negligible danger. Resorts themselves are normally very well protected by avalanche spoilers and regular "snowing" of potential danger points. Occasionally feeder roads are blocked but are usually cleared so quickly that the visitors scarcely know what has happened. Danger areas are marked with red flags and the one who ignores local advice or fails to seek it.

There are several types of avalanche, and they are not necessarily confined to the warmer months, but March often sees the conditions which produce wet-snow breaks. This could be particularly true this year because of the very large quantities of snow that have fallen in some areas, notably in the western Alps. Warm Spring weather turns some of the snow into water, and this trickles into the snow itself and sometimes slides under it forming a film between snow and rock. Eventually the sheer weight of snow and water is enough to set the whole thing moving.

Fortunately these avalanche runs are usually predictable—so predictable that many of them have names. In the freezing temperatures and early season they may be safe even to ski on, but as the air warms up they become death traps. The fact that they are so predictable means that locals are very Zermatt.

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by B. A. YOUNG

Mr. Fugard's language is richly poetic but never over-written. It is thrilling indeed to see Yvonne Bryceland—surely one of the great actresses of a play whose dire pessimism is nonetheless shot through with evidence of pulsating humanity and stoic humour.

MICHAEL COVENEY



Conductor Charles Mackerras received an award for the "record of the year" yesterday when the "Gramophone" magazine presented its 1977 record awards. Mackerras's conducting of the Vienna State Opera Orchestra and the Vienna Philharmonic Orchestra in Janacek's *Katja Kabanova* and received the award on behalf of Decca.

Lady Harewood presented the awards which were given as follows: Shostakovich String Quartet by the Fitzwilliam Quartet (BSL) for Chamber music; Elgar/Parrery choral (EMI); Mozart Piano Concerto No. 22 in E-flat Major, Alfred Brendel, Academy of St. Martin-in-the-Fields, conducted by Neville Marriner (Philips) for Concerto; Berio Concerto for two pianos, London Symphony Orchestra and Berio and BBC National Orchestra conducted by Boulez and Berio (RCA) for Contemporary; Dowland Lute Works, Julian Bream (RCA) for Early Music; The Record of Singing (EMI) under Historical; Beethoven Piano Sonatas, Maurizio Pollini (Polygram) for Solo Piano; Elgardor under Isaac Stern and London Symphony No. 1 in A flat major, Symphony No. 1 in A flat major, conducted by Wilhelm Guller, conducted by Sir Adrian Boult (EMI) for Orchestral and Shostakovich Suite on Verses by Michelangelo, Moscow Radio Symphony Orchestra and Moscow Chamber Orchestra (EMI) for Solo Vocal.



by WILLIAM WEAVER

Sardou's vastly successful play, preserved all its sly dramatic tricks, and added a few of his own, creating a perfect vehicle for a couple of superstars. And when Gemma Bellincioni and the 25-year-old Enrico Caruso

Maurizio Arena, the conductor, kept things moving. His is a traditional, somewhat rough-and-

**Book Reviews are on
Page 32**

Festival Hall

RPO/Masur

The concerto at the heart of the Royal Philharmonic Orchestra's concert on Tuesday (also broadcast live on Radio 3) was Rakhmaninov's Paganini Rhapsody, framed by Prokofiev's Classical Symphony and Brahms' First — a programme of almost suffocating routiness, bludgeoned alone by the quite aneurietic direction of the conductor, Kurt Masur, and by some splendid playing by the Rakhmaninov, by the piano soloist

punctuation of unexpected emphases; a listening deep into textures, for their moving inner parts. There were many fine moments: not least the extraordinary solo opening to the 15th variation, a scherzando prestissimo like a crystal snowfall, in execution not entirely successful, but a brilliant conceit; the famous theme of the 18th variation was begun very simply, quietly, without affectation or the least trace of

for Massur's close attention to the subtle play of colour and manner voice—in every movement of the canvas. The figures of the cavalcade, in fact, if we were not so much concerned to see the picture carefully and to see it as it is, at an easy, flexible tempo, the female taken in grand and tragic mould, but drawn with fire.

DOMINIC GILL

'The Irish Hebrew Lesson' on Sundays

The Irish Hebrew Lesson by Wolf Manikowitz has moved from the Altmann Free Theatre to the Shaw, 100 Euston Road, NW1 for a total of 19 Sundays only.

by KEVIN HENRIOUES

phases with fellow guitarist T. Farlow and Norma Carlson pluckily takes on the humorist of the trumpet, Clark Terry. The saxophones are vigorously represented by Viola Bursudis on a tough-toned, tenor player whose dazzling fast solo on "Sweet Georgia Brown" makes one lament her premature disappearance. The parochially virtuosic Britland's virtuosity in the trumpet of female saxists. Kathy Stobart, has a strikingly relaxed solo on a 1957 recording of "Gee-Bye" with the Humphrey Lyttelton band.



Head is a Glasgow-based group specialising in straightahead (no pun intended!), hard-driving jazz with rock ingredients. *Blackpool Cool* is the quintet's third LP (financed by the musicians, incidentally) and has plenty to recommend it. There's a heavy, almost violent, rock vein extended throughout the album, but (only partially) subsumed by jazz with the other compositions (all by Head members) there is a strong thematic feeling. All the pieces are well-constructed, they

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Fri. & Sat. 12.40. 4.45.
THE RETURN OF THE
HER (U). Sat.-Thur. 3.25.
Sat. 2.35, 5.40, 10.40.

2 SHAFESBURY

THE PINK PANTHER
GAIN (U). Sun.-Thur. 1.30.
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FINANCIAL TIMES

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Thursday March 2 1978

Mrs Gandhi's challenge

MRS. Gandhi served notice at directly to the poorest and her Press conference in New Delhi yesterday that she is making another bid to return to power. She did not put it quite as bluntly as that. But her disclaimers after the first results of the state elections came through that she did not intend to try for the Premier-ship again can be put on the shelf. Her faction of the Congress party has absolute control in the two important southern states of Karnataka and Andhra Pradesh with the possibility of participating in a coalition in Maharashtra. Her next step must be to gather the official party under her wing. She has been helped in that by the appointment yesterday of Mr. S. N. Singh, formerly her Foreign Minister, as the new President of the Congress who could act as a go-between in any bargaining. She is thus potentially in a strong position to mount a challenge to the Janata government that came to power last March, opening the door to a new period of uncertainty in Indian politics.

Abuses
 The common feature between the March general election and the state elections at the weekend is that the voting went against the traditional pattern of caste, patronage and control over the machinery of government. Mrs. Gandhi was decisively rejected in the Hindi belt of the north in March in spite of the prestige of her family name and the immense power she held under the Emergency because of a popular surge of feeling against the high-handedness of her rule and the abuses of the sterilisation programme. In the case of the state elections, most of the cards were stacked against her in Andhra Pradesh or Maharashtra because either the Janata party or the official wing of Congress held the levers of caste allegiance or political patronage. It was only in Karnataka that she had an edge in that her supporters controlled the state machinery. But the major factor in her success was her ability to speak

A further consequence of the state election results is that there is going to be a lot of unrest among the politicians in Delhi as politicians decide which side of the fence to jump. A number of Mr. Morarji Desai's cabinet colleagues are uneasy at his leadership but they have even more reason to fear a return of Mrs. Gandhi. But a moral to them all from both the state and general elections is that in their manoeuvrings they can no longer afford to disregard popular pressures in the same carefree way as they have in the past.

The unsatisfactory manner in which successive governments have tended to conduct their relations with the nationalised industries is well illustrated by the latest report from the Commons select committee on nationalised industries which deals with the experiences of the British Waterways Board. This Board, unlike almost all other nationalised industries, has no conceivable chance of being able to generate sufficient income of its own to cover the cost of its activities and so is permanently dependent upon the receipt of government grants to carry out its statutory duties. But this is no reason why successive governments should fail to stick by the objectives that they have given to the industry, which is what the select committee says they have constantly done, first by denying it the necessary finance and secondly by creating an air of uncertainty by repeatedly reopening the question of whether it should retain independent status.

A clear case of inconsistency

The Board received no response for four years when it was told that independent consultants would be appointed to study the maintenance question. The consultants confirmed the Board's views and up-dated the estimate of arrears to £37.6m (about £60m, at to-day's prices) of which £3m, (to-day £7m) needed to be spent more or less straightaway in the interests of public safety. Their report was not published, however, until last November when the Government allocated £5m for urgent maintenance involving public safety. In the meantime, some £600,000 had been provided for two schemes in response to pressure from local MPs: according to the committee, the Minister concerned, Mr. Denis Howell, who has charge of the Department of the Environment's responsibilities for water as well as sport, seemed wholly oblivious to the way in which this kind of intervention cuts across the respective roles of Minister and nationalised board.

One may sympathise with Ministers' reluctance to commit themselves to major expenditure for purposes which have a small and declining commercial significance and which are largely and increasingly recreational. One can see why they are attracted to the idea of putting the Board's waterways in the charge of the reorganised water supply industry—although the water authorities are unlikely to be any more keen than the Exchequer to finance a large programme of canal maintenance. The idea of a merger was however considered and rejected, mainly because of Parliamentary and public opposition, less than five years ago; and the latest proposals have no chance of even coming before Parliament this side of a general election.

General problem
 The main lesson is that governments should not commit a nationalised Board to a set of objectives they themselves are unlikely to be able to honour. Waterways may be a special case but the inconsistency it demonstrates is not untypical. It is a general problem and it is one which Ministers must squarely face in the forthcoming White Paper on government of nationalised industry relations.

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A bid to end the Atlantic air fares rat-race

By MICHAEL DONNE, Aerospace Correspondent

EFFORTS to halt what some airline executives are now describing as a "suicidal rat-race" towards ever-cheaper North Atlantic air fares will be made at a meeting of U.S. and U.K. government officials in London on Monday.

They will also be trying to reverse the deteriorating civil aviation relations between the two countries, exacerbated this week by Braniff International's difficulties in getting its low-fares Atlantic service started.

The officials hope to obtain an agreement that, initially, will govern what fares the airlines can charge. The two countries will charge from April 1, knowing that whatever they can hammer out is likely to be adopted also by many other countries in Western Europe.

The Braniff affair—in which the U.S. Civil Aeronautics Board denied Braniff the right to start its proposed regular services between Dallas/Fort Worth and Gatwick because its fares were too high—is seen as only one more indication of the increasingly complex problem of transatlantic fares. Braniff had originally proposed fares that were too low for the U.K. Government's taste. It was asked to raise them, and willingly did so to the U.K.'s satisfaction, only to have its own regulatory authority object, and stop its flights.

The U.K. Government does not believe that the U.S. Civil Aeronautics Board's threat of "retaliatory action" against British airlines will occur—and certainly not before Monday's discussions. It argues that the Anglo-U.S. Bermuda Two air agreement, signed last summer, provides adequate machinery for settling disputes of this kind without resort to tit-for-tat suspensions of services, which would only worsen the situation.

The Washington talks represent the latest in a series of attempts over the past few years to reach some accord on fares between the two countries that will stop this kind of thing. The aim is to try to get some kind of agreed scale of fares that all the airlines on both sides can offer, so as to prevent not only "discounting"—the offering of cut-price rates—but also eliminate some, at least, of the losses that many of the scheduled airlines now incur.

The International Air Transport Association, has itself tried, and failed, several times to win agreement on fares among its members. It says that over the first seven years of this decade, the scheduled airlines on the North Atlantic have collectively lost \$2.5bn, with some 75 per cent of the passengers travelling on one type of promotional fare or another.

Every airline on the route—and its supporting government—declares its allegiance to the concept of cheaper fares. Their problem has been, and is, that they cannot agree on how to implement it. The airlines themselves having failed, it is now their governments' turn, with no likelihood of any better success in view of the marked differences of view that prevail.

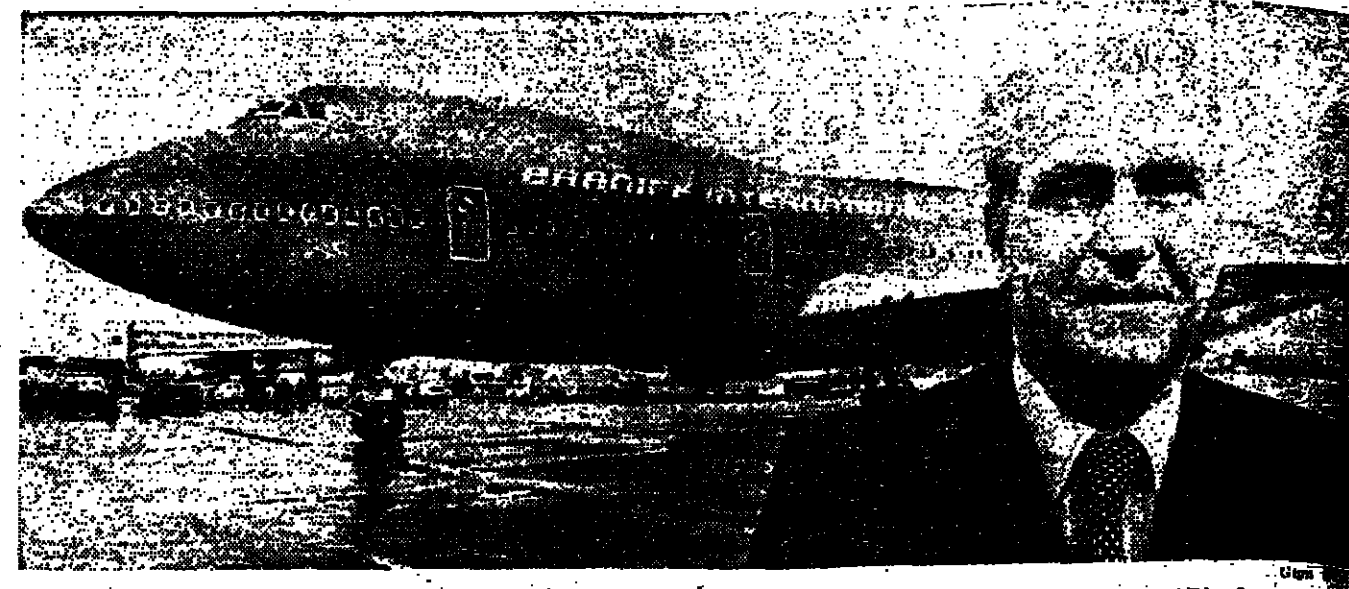
The U.S., with its big home market, wants cheaper fares between many U.S. cities and Europe, instead of just New York, bringing cheap travel to as many U.S. citizens as possible. In Europe, the attitude is that a more cautious approach towards cheap fares is essential if the already huge losses of the scheduled airlines are not to be made worse. It is argued that a headlong rush to more and more cheaper fares is likely to lead to financial disaster for some airlines which are already being shored up by their governments. The U.K. shares this desire for a more level-headed approach. It argues that

no one is yet really able to say precisely where the low-fare travellers are coming from: are they genuinely first-time travellers, attracted by the low rates, or are they being diverted from some charter operations, or the lower end of the normal scheduled airline market?

No one can presently answer these questions. In order to find the answers, the U.K. wants the existing rates extended through the summer, until a rational assessment of them can be made.

If, by August, it is clear that the cheap fares are generating a new market of their own, and, more significantly, have not resulted in a massive further dilution of revenue for the scheduled airlines, then the way can be clear for a further controlled extension of cheap fares. The U.K. policy is to move forward gradually, consolidating as it goes. It is directly counter to the U.S. approach, which is in favour of an immediate widening of the cheap fare market.

The U.S. view is that the U.K. itself started the rush to cheap fares, with its insistence last year after signing the new Anglo-U.S. Bermuda Two air



Mr. Harding Lawrence, chairman of Braniff International, on the apron at Gatwick Airport yesterday as "Big Orange" airline's bright orange 747, taxied in after the trans-Atlantic flight from Dallas.

agreement that Laker Airways argues that its market is the biggest, and should thus be given greater consideration in fares-fixing policies. The U.S. says that if the U.K. and European scheduled airlines do not like the competition they have helped to generate, they have only themselves to blame. Thus, the climate for next Monday's discussions is not conducive to any early agreement, and there are many in the scheduled airline industry who feel that further difficulties could lie ahead if the Washington talks fail.

But some airlines are happy, including Laker. For there can be no question of the success of Skytrain among passengers—over 90,000 since the service began. Laker claims it is making profits, too. There seems to be no doubt that the cheap fares, including Skytrain, have boosted traffic. Figures issued by the U.S. Immigration Service show that while departures from New York to London in the third quarter of last year rose only 2.7 per cent above the same period of 1976, in October they rose by 35.9 per cent—the first full month of Skytrain. Stand-By and Budget Plan fares in November rose by 33.1 per cent, and in December by 49.9 per cent. In contrast, departures to the U.K. from other U.S. cities were down 0.9 per cent, on a year earlier in the third quarter, down 5.2 per cent in October, up 6.6 per cent in November and up 6.4 per cent in December.

It seems clear that it is this kind of result which has encouraged Laker to press ahead in its bid for a Skytrain service from London to Los Angeles, and to talk of a possible Skytrain to Toronto. Pan Am and TWA have also been encouraged to seek to extend the Stand-By and Budget Plan rates to other U.S. cities. The Los Angeles Skytrain plan comes up for its public hearing in London on March 16, but the Pan Am and TWA bids for more cheap fares have stalled for the time being, pending the outcome of the Washington negotiations.

On the sidelines stand the charter operators—the so-called "independents" who so far have had to watch the scheduled airlines offering cheap fares that cut down their own market without being able to retaliate. During the Washington talks, the U.K. and U.S. teams will try to agree on a pact covering charter operations between the two countries that should cover not only fares but also frequency of operations.

Behind all this, however, lies the shadow of U.S. dissatisfaction with the Bermuda Two agreement, which almost everyone in the U.S. civil airline industry feels discriminates against them. Some airlines in the U.K., such as British Caledonian, also feel that they do not emerge too well from the negotiations, although the general view in the U.K. industry is that the pact is the best this country could have obtained after an extremely long and tough period of negotiations. But there are already moves in the U.S., spurred by some Congressmen, to persuade the U.S. Government formally to "denounce" the agreement.

Much depends upon how the Washington talks go, and whether the present unhappy civil aviation relations between the two countries can be proved. If the talks are successful, leading to a controlled progress to more cheap fares, much of the talk about "denunciation" could evaporate. However, there will probably always be a residual feeling among some U.S. aviation executives that the British have got the best part of the deal.

ATLANTIC AIR FARES

Scheduled Flights (via British Airways, Pan Am, TWA, Air-India, El Al and Iran Air)	Bought in London		Bought in New York		Booking Conditions
	Single	Return	Single	Return	
Budget Plan*	£64 (\$110)	£149 (\$256)	\$146 (\$256)	\$256 (\$449)	21 days ahead, with airline giving 10 days' notice of flight. No reservations, purchasable from 4 a.m. on departure day if seats available.
Stand-By*	Same rates as Budget Plan				
Scheduled Rates					
Apex	(a)	£149	(a)	\$350	30 days in advance
Economy Excursion (22-45 days)	(a)	£254	(a)	\$467	Rate varies according to season
First Class	£356.50	£713	\$656	\$7,312	No restrictions
Concorde	£431	£862	\$793	\$1,586	No restrictions
Scheduled Laker Skytrain	£59	(b)	\$135 (\$249)	(b)	No reservations, purchasable from 4 a.m. on departure day if seats available.
Charter (Jetset)	—	£126 plus	—	—	30 days in advance; a cheaper rate of £95 for late bookings if seats available.

* Basic fares, peak rates are higher.
 (a) No singles on Apex or Economy Excursions
 (b) No return tickets purchasable on Skytrain

MEN AND MATTERS

Just come to Jerusalem

Dr. Israel Katz, Israel's Minister of Labour and Social Welfare, said in London yesterday that after questioning his British opposite-number David Ennals on British social problems he had told him: "If you think you've got problems, come to visit me in Jerusalem. . . . That comment was not entirely original, he confessed. Recently he was telling his Egyptian counterpart about Israel's worrying levels of urban deprivation, poverty and delinquency. The Egyptian had listened politely, then exclaimed: "So you think you've got problems. . . . come to Cairo."

All social troubles are relative, of course, but Israel certainly has more and more to grapple with on this front. A prominent British company director who returned from Tel Aviv this week tells me that a friend with whom he stayed had six locks on his front door. "Because I've been burgled so often." The commander of the Israeli Women's Army Corps has ordered her girls not to hitchhike home on leave, owing to the disturbing rape statistics. And if you own a car in Israel, constant vigilance is needed to avoid its being cannibalised and shipped in pieces to Jordan. Some Israeli psychiatrists blame the increasing violence upon so many years on a war footing. Dr. Katz attributed it yesterday to the growing pains of change from a peasant to an industrial economy.

Sweet scented
 Look who's back. Those remembering Vavasour's precipitate fall from grace in 1974 will know the name of chief executive David Stark, who left when

an "illiquid situation" was unveiled before the startled shareholders. Since then, Stark has occupied himself with some private companies, until the acquisition earlier this month by a group of businessmen he heads of a majority shareholding in Dixor, a small cosmetics company in Epsom.

One of Dixor's charms, apart from a product called Velpuff, is its Stock Exchange listing. Thus yesterday's compulsory bid for the outstanding shares was so pitched that the independent directors could put their hands on their hearts and refuse to part with their own shares. Does this mean that Dixor will be a vehicle for all manner of acquisitions? Might it even change its name? "Absolutely not," says former stockbroker Charles Wyatt, one of Stark's associates in the takeover. "We shall push right ahead with new opportunities in the cosmetics field."

Sound of music

With a flamboyance worthy of the dazzling decorations on its planes, Braniff hired the band of the Life Guards to welcome its first flight from Dallas to Gatwick. Considering the bitterness of the Anglo-American dispute about transatlantic fares, causing an on-off confusion just before take-off, the band's £750 fee must have seemed well spent to cheer up any doubters among the dignitaries aboard.

As the 747 came to halt, the guards were manfully belting out "The Yellow Rose of Texas." But as the doors opened to disgorge a load of mayors, businessmen and sundry media persons, the band stopped and broke into a thunderous rendering of "Rule Britannia!" Quite a coincidence it was assured later. But the political intent was definitely present when Braniff



"Buddy, can you spare a DM?"

chairman Harding Lawrence explained what he was thinking of doing with his big plane now that he is prohibited from taking back any fare-paying passengers. "I'm going to fly it up to Heathrow," he drawled, "and leave it across the runway."

Iford outdone

By the latest polls, Labour will need in Iford all the help it can get from the luck of having a "party political" on TV last night. Some of the longer shots among the seven candidates doubtless feel that a similar chance on the box would have swept them straight into Westminster. Certainly, in France, they seem to order such matters rather differently. The official general election broadcasts are now in full spate there every night for 25 minutes. Time is carved up according to parliamentary strengths and candidates standing, with several parties featured in each nightly programme. So electors are

getting to know all about the Workers' Struggle, the Workers and Peasants Front for Proletarian Democracy, the Rally for Users of Public Services, the Revolutionary Communist League, and the Ecologists. After a fortnight or so of such diversity, there may well be old ladies in remote chateaux watching anxiously for the appearance of the Royalists.

Pay up, or else

The Inland Revenue might well read from a cautionary tale in a book to be published to-morrow, *Torture, The Grand Conspiracy*, by Malise Ruthven, deals in detail with Aliens, Inquisitors, Templars and witches, then goes on to the Honourable East India Company. A fine old institution, you might say, but one which Ruthven shows used torture to collect its revenue and "to get ten shillings from a man when he had only eight." That complaint was made in the House of Commons by Danby Seymour, MP, in 1864. Three years later the Mutiny was followed by the abolition of the East India Company—Inland Revenue, please note.

Merry ferry

There was champagne on those usually drear ferries between Britain and Eire yesterday. Her Majesty's Customs had finally recognised that Eire was an independent country, meaning that after years of prohibition between the lands of whiskey and whisky, duty-free drinks were in. But passengers on the first flight yesterday from Dublin were left in the gloom. Aer Lingus had forgotten to load the liquor.

Observer



"I haven't been so happy for years."

For many elderly people, going into a "Home" seems like the end of the world. Nevertheless, our headline is a typical quotation from one of our residents' letters. The Distressed Gentlefolk's Aid Association runs a particular type of Home for a particular type of person. Not just what is implied by the "Gentlefolk" in our title but anyone, man or woman, who will "fit-in" with our other residents.

We have 13 Homes in all. Some Residential, some full Nursing Homes. Anyone who needs a Home but who lacks the necessary financial resources can apply to the DGAA for help. Places are short, because money is short. Your donation is urgently required. And please, do remember the DGAA when making out your Will.

DISTRESSED GENTLEFOLK'S AID ASSOCIATION

VICARAGE GATE HOUSE, VICARAGE GATE, KENSINGTON LONDON W8 4AQ
 "Help them grow old with dignity"

Money in a permissive world

MR. Gordon Richardson, Governor of the Bank of England, gave his own views on monetary policy in the *Mails* three weeks ago. He stated an invitation to a general debate on the subject. This is what he has got what he wanted. The National Institute and the London Business School, two of the three centres of serious independent policy analysis, have come up with statements which are totally opposed, and leave the Governor looking like a reasonable man in the middle. In practical terms, though, both commentaries imply that official British policy may be too cautious, tough to very different degrees. You do not have to agree on theory to agree on the direction of policy.

The National Institute, in an eloquent piece that deserves to be known as *Wordsworth's Last Stand*, expresses all the uneasiness of those who suspect that "practical monetarism" is just a polite term for allowing financial markets to take their economic policy, or a disguised euphemism for the collapse of the Bretton Woods system. In the old days, a self-discipline was necessary to replace the old external discipline. In practical terms, the results of excessive credit creation have changed. When exchange rates were fixed, excess demand was reflected largely in the balance of payments, so that the money created leaked abroad. We had credit controls, an overvalued pound, and an overvalued pound. The Review explores the evidence about the monetary policy on such things as saving, investment, stockbuilding and housing, and rightly concludes that it is about as broad as it can be. It concludes that "we are allowing our attention to be attracted towards the growth of a number whose influence is uncertain and whose pursuit is

Self-discipline

This is really quite a breathtaking omission, for it ignores the whole reason why monetary policy has become so important in recent years. It has all happened since the collapse of the Bretton Woods system. In the old days, a self-discipline was necessary to replace the old external discipline. In practical terms, the results of excessive credit creation have changed. When exchange rates were fixed, excess demand was reflected largely in the balance of payments, so that the money created leaked abroad. We had credit controls, an overvalued pound, and an overvalued pound. The Review explores the evidence about the monetary policy on such things as saving, investment, stockbuilding and housing, and rightly concludes that it is about as broad as it can be. It concludes that "we are allowing our attention to be attracted towards the growth of a number whose influence is uncertain and whose pursuit is

This is the starting point for the London Business School analysis. This has attracted

relatively little attention so far, but what it proposes is, if it is true, profoundly important. It is simply that the exchange rate instability which is now such a potent source of uncertainty and alarm is the result of mistaken monetary policies; and, what is more important, that one can lay down rules for monetary policy which would restore international stability.

The background to this proposal is summed up in the chart. It shows that if you measure money with a common yardstick, by calculating world monetary growth in each country as a proportion of world monetary growth, it shows a remarkably consistent trend over the years. The fast-growing "locomotive" economies have a rising share, and the sluggish economies a falling share. Time brings its own painful revenge for any departure from trend.

The graphs, which show the combined results of monetary policy and exchange rate changes, seem to confirm this fairly strongly; but it is notable that monetary growth stayed much closer to trend under the Bretton Woods arrangements than it has since monetary policy became important. (Readers should be warned that the trend lines shown on the charts are purely visual aids, and quite unscientific.) This suggests that the exchange markets are not a very efficient way of offsetting excessive or deficient monetary growth: the strains build up a long way before they respond, and then they overdo it.

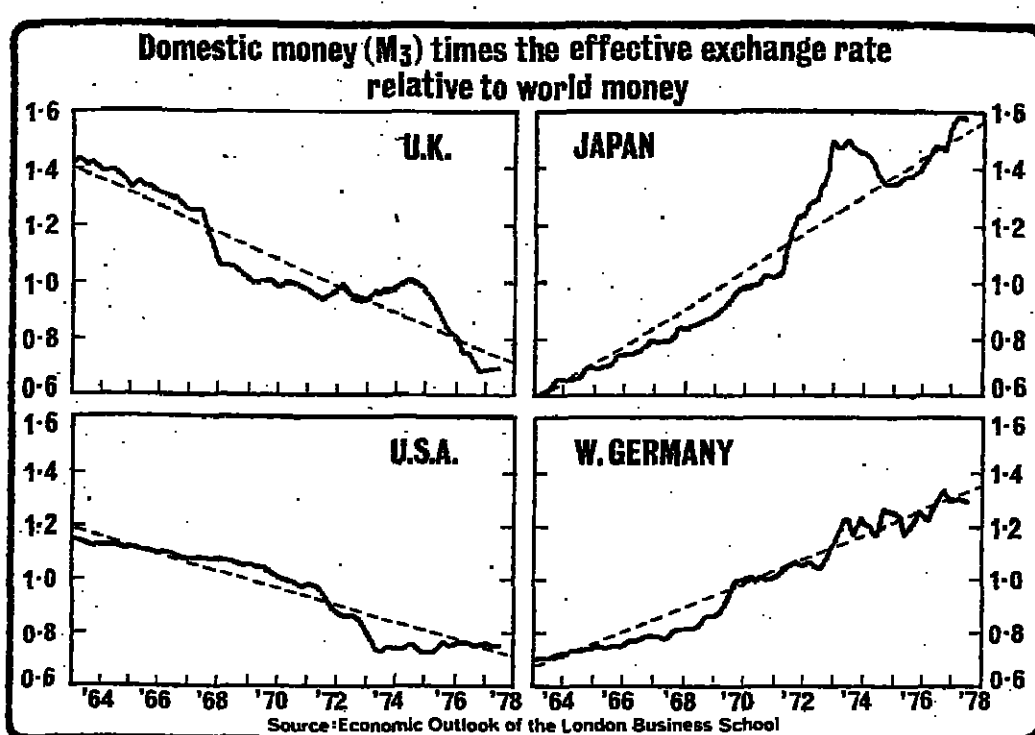
In the short term, then, which may be as long as three or four years—it may be possible for a country to buck the trend, and pursue stern repression or a dash for growth. In

the end, though, excessive growth will be corrected by devaluation and a flight of funds, excessive restraint overwhelmed by an inflow and an appreciation which increases the buying power of the money stock.

The trouble is that even if this long-term fatalism is accepted, it can be interpreted in two quite different ways. When floating was first adopted, its supporters argued that the exchange markets would make it possible for each government to choose its own monetary growth rate by deciding, for example, how far to accommodate cost pressures arising from trade unions or other monopolies without affecting anyone else.

The London Business School, reflecting on the huge market instability demonstrated in a chart, seems to have concluded that this is too much to ask. Markets move so violently, and generate such enormous capital flows, that governments are compelled to intervene in the currency markets, and pure floating is thus abandoned. These interventions finance large current account surpluses and deficits, and debt piles up alarmingly. The supposed independence conferred by floating is thus seen as a dangerous illusion.

The answer suggested by the LBS is the economic equivalent of the old advice about rape: learn to accept the inevitable, and do not protest like a Keatsian virgin. What this means in practice is that if each country would adopt as its domestic target the trend rate of monetary growth shown in the world-share charts, there would be no pressure on exchange rates. Instead of



bullying the Germans and the Japanese about fiscal policy, the practical question is not so much whether to adopt a policy of relative prices of traded goods leading to stable exchange rates (and a pretty stable world inflation rate too), as the LBS argues, or to ignore the whole mess, as the National Institute is tempted to do; but how to get Americans for irresponsible monetary inflation.

Unfortunately it is a great deal easier to talk about world agreement on monetary policy than to imagine it actually being achieved. As the LBS analysis makes clear, it implies one highly improbable notion: the still hard to imagine such a world where policy is a very long way from the ideal, the idea that in the cause of world stability, they should world plan for a higher inflation rate

measure something called the money supply.

The issue is really a technical one. In the old Bretton Woods days, we learned painfully that the real measure of credit policy from an international point of view is not the growth of the money supply, but the total expansion of domestic credit (DCE) — the sum of the lending which stays at home and the lending which leaks abroad across the exchanges. In a world in which central banks routinely intervene on a huge scale in the currency markets, there are still large flows across the exchanges, and DCE is still a highly relevant measure.

It also seems likely that in an imperfect world, monetary control will be imperfect. If a country as large as the U.S. persists in inflating the dollar supply, it is very hard if not impossible to neutralise the effect in other countries; and it is not clear to me that an overshoot due to a capital inflow or to a surplus on the current account has the same implications as one due to excessive lending. It is hard to think of any country in persistent surplus with an unmanageable inflation problem: in this respect the currency dealers may be wiser in their generation than the dealers in Government stock. If surplus countries could be a bit more relaxed about their monetary targets, as the National Institute urges, they could more convincingly urge deficit countries to adopt more responsible credit policies; and the outcome would be at least a step towards the stability mapped out by the London Business School.

Anthony Harris

Letters to the Editor

Nuclear power proliferation

from Mr. N. Forman MP.

Sir,—I was most interested in the long feature article on the non-proliferation aspects of nuclear power which appeared on February 24. It seems to me that there are at least two important points of which Dr. Walter Marshall and Dr. Charles Stannard do not take sufficient account. The first is that in advocating the development of fast reactors, plutonium incinerators rather than breeders, Doctors Starr and Marshall are effectively negating a main argument normally advanced for the development of reactors, namely their ability to overcome the uranium constraints which would otherwise be associated with the development of thermal reactors on a large scale. The second is that in arguing the Clixer rather than the iron process in mixed oxide reactors, Doctors Marshall and Starr may be able to deal equitably with the threat of proliferation of highly radioactive materials. In doing so, however, they would not only be imposing significantly increased health hazards upon workers involved in such a plant, but also calling into question the economic and other justification for the proposed new plant at Ince.

Catering on the railway

from the Chairman, British Transport Hotels.

Sir,—Under the heading "Pledge to improve railway catering" (February 22, Page 1), Ian Hargreaves says that: "Mr. Rob Reid, the Board member for marketing, has been put at the head of a working party to study the catering situation, with the central object of giving the service, known as Travellers' Refreshment, a separate Board structure, responsible to a British Transport Hotels holding company."

Advertising and the professions

from Mr. D. Coulson.

Sir,—I was more than a little amazed to see the old chestnut that there is "no lasting good" in advertising has done towards the public interest" reprinted in the letter from Mr. R. Pennington-Leigh (February 1). Advertising is so clearly of use in so many ways that it is difficult to know where to begin. For example, by helping to shape consumption of goods throughout the year, advertising plays its part in keeping production lines moving, and therefore helping people in jobs. Advertising can encourage a national interest in consumption of scale, with economies of scale and resulting beneficial action prices.

Mr. Pennington-Leigh has also, apparently, overlooked advertising with a social message. For example, the Government has recently reported to Parliament on the success of its "Save it" campaign.

Without advertising, what would become of consumer choice? Advertising, of course, has an important selling role, but it is also a vital source of information. I entirely fail to see why advertising should be thought to run contrary to professional ethics. The advertising industry has considerable experience of obeying both its own codes of practice and those of outside bodies. Given good faith on both sides, advertising by the professions should not pose any problems.

Plantmakers' case

from the President, Metallurgical Plantmakers' Federation.

Sir,—In your comments on the British steel industry (February 27), you say that there is a case for continuing with the investment projects already in hand and with other projects to secure future advantages. Indeed there is a very strong case, and an important part of it, which should never be underestimated, is the need for the British metal plant industry to have a continuing home market. This is essential, not only to maintain the engineering skills and jobs in the industry, but also to provide a "shop window" where potential overseas customers can see the latest British plant in operation.

Experienced and available

from the Chairman, Brian Woodhead and Co.

Sir,—Anthony Harris (London, February 24) refers critically to present practice and recent indications of future developments in the employment of non-executive directors. There is no doubt that the image is generally poor and has been harmed by a few well-publicised (rightly) failures to take the job seriously.

I believe there are signs of growing constructive interest in developing a more useful, more acceptable role for non-executive directors. Significant numbers of widely experienced (or specialist) directors are available. These are still in their prime, with excellent track records, willing to apply a proportion of their time and energy to companies where their skills and personalities are carefully matched.

time allocated. The benefits normally far outweigh the costs. The company pays the fees, and non-executive directors should be most effective if they are not too obviously nominees sponsored by a sectional interest.

If they employ the skills and experience for which they are selected, in advising the executives and periodically reporting to the outside world, that constitutes very sound practice which could be more widely used to the benefit of investors and companies.

Why wait to have this sort of innovation imposed by legislation (probably the sledge hammer to the nut), when the ground could be cut from under the feet of the critics by voluntary action?

Luncheon vouchers

from Mr. F. True.

Sir,—I would like, on behalf of Luncheon Vouchers, to compliment Eric Short on his article "The best way to an employee's heart" (February 22), pointing out the anomaly which exists between subsidised canteen meals and their supposed equivalent, the luncheon voucher.

This anomaly, we all know, is increasing each year with inflation. I would just like to make one observation on Mr. Short's article, and that is regarding his last paragraph, where it is clear that the "tax level on vouchers" should be brought to a realistic level, to which we would agree, but should this not be the case the "tax concession" should be scrapped, which we of course would disagree with.

Mr. Short has overlooked the fact that the subsidised meal that a 15p luncheon voucher (this being the limit of the tax concession) will buy, still ensures people the opportunity of obtaining a meal at lunch time, and as Mr. Short quite rightly says in the earlier part of his article, to work well one has to eat well. The luncheon voucher is still performing its function and service as originally conceived. By all means ask for equality with the subsidised canteen meal and eliminate the anomaly, but do not destroy the principle that Luncheon Vouchers have practised in ensuring working people have a meal when it matters most—at lunch time.

The car and the sprawl

from the Editor, Railway Gazette International.

Sir,—Nancy Dunne omits a key factor from her analysis (Feb. 28) of the dislocation with metros in the U.S. Mostly this stems from the almost unbelievable technical disasters which still cripple the 75-mile bay area rapid transit in and around San Francisco. According to BART's assistant general manager Robert Gallaway, 62 per cent of cars in service on a typical day in January had to be withdrawn from traffic because of faults. Imagine what effect this has on the service!

Add to that such details as a signalling system which cannot detect trains properly, and was designed for braking rates which

cannot be achieved in practice, and you have a recipe for chaos. Mr. Gallaway actually advised his customers in January to "add 45 minutes on to their commuter time, or simply double the scheduled trip time" if they had an appointment.

Washington's metro is in somewhat better shape, but still far from offering passengers the standard of reliability which is taken for granted on Europe's new metros; the increase in capital cost was no worse than the general run of large public construction projects.

Actually, anti-metro sentiment in Washington peaked last autumn. It is being replaced with a more healthy attitude to urban railways which recognises that they are not simply a more energy-efficient way of moving commuters from suburbs to downtown, nor a means of escape for the poor from inner-city ghettos. Properly designed and managed in conjunction with land use and traffic management policies, they offer a long-term prospect of urban development which combines mobility with selective concentration. It is only by rethinking the urban structure that commitment to the car and the sprawl it generates will be reduced. This is where the real saving comes in.

Contracting-out certificates

from Mr. I. Gillis.

Sir,—In his article on the deadline for applications to contract out of the new pension scheme (February 27) Eric Short may have inadvertently missed some of your readers. The fact is that the deadline of March 23 cannot be extended. If an application to contract out with effect from April 6 is sent to the Occupational Pensions Board by March 23, national insurance contributions from April 6 onwards will be payable provisionally at the contracted-out rate while an employer is awaiting his contracting-out certificate. Otherwise the higher, non-contracted-out rate contributions will be due from April 6 unless and until a contracting-out certificate is issued. The correct rate of contribution does not depend on any notification or application to the DHSS. The Department's leaflet NPS7 explains the arrangements.

It might help employers and their pension advisers, if they are pressed for time, to mention also special arrangements published last October. Both the Occupational Pensions Board and the Department urge employers and scheme administrators to make full use of these arrangements, which were designed to deal with two types of emergency. Under the first, known as the "occupational Pensions Board emergency," the arrangements enable the Occupational Pensions Board to issue contracting-out certificates, before making a full examination of scheme documents, if the applications and documents are accompanied by the statements set out in the board's memorandum No. 48.

The second is the "scheme emergency" which enables employers and scheme administrators who cannot yet produce the necessary amending deeds (not even interim deeds) to give the required undertakings to that the Occupational Pensions Board can issue contracting-out certificates.

(Information Division), Department of Health and Social Security, 1, Gillingham House, Elephant and Castle, S.E.1.

To-day's Events

Benno, Energy Secretary, on Community's plans to rationalise European refinery industry. Final approval expected to-day on agreement covering Sulfon Voe oil terminal port operation. London Chamber of Commerce seminar on Business Opportunities in Sweden, 99, Cannon Street, E.C.4, 10.30 a.m. (open to public). Duke of Edinburgh opens Tree Council conference, Royal Institute of British Architects, Portland Place, W.1. Sir Peter Vaneck, Lord Mayor of London, and his Sheriff attend

British Sugar Corporation, Hyde Park Hotel, S.W. 12. Fluidrive Engineering, 14 Newbury, Middlesex, 2.30. Mears Bros. St. Ermin's Hotel, S.W. 12. Nash (J. F.) Securities, Birmingham, 12.

MUSIC

Royal Festival Hall: Philharmonia Orchestra, conductor Lung Tung, soloist Garrik Ohlsson (piano), in programme of Strauss (Don Juan), Chopin (Piano Concerto No. 1 in E minor), and Rachmaninov (Symphony No. 2 in E minor), 8 p.m.

Queen Elizabeth Hall: Walter Klein (piano) gives Mozart and Schubert recital, 7.45 p.m.

Wigmore Hall: Trio Fontanarossa perform works by Haydn, Beethoven and Schubert, 7.30 p.m.

Midland Bank will be taking care of business at the Leipzig Spring Trade Fair March 12-19.



Mr B. Humphrey, International Division, London

As we are a participant in European Banks International (EBIC), composed of 7 great independent European Banks, you'd expect us to be there for an event of such importance.

Bryan Humphrey will be at Leipzig from March 12-19 to help ensure your trip is a profitable one.

There will also be an EBIC representative on hand for the entire Fair.

If the occasion arises when you think you could use a little advice, talk to either of them. They can be contacted at the Fair at EBIC House, Central-Service, Hall 16, 1st Floor, Stand 182-183. Tel: Leipzig 80498. Telex 512560.

And if you have any questions on overseas trading that you'd like answered now, contact Midland Bank's Panel for Overseas Trade Development in London 01-606 9944.

We deliver.



Midland Bank International

Midland Bank Limited, International Division, 60 Gracechurch Street, London EC3P 3BN. Tel: 01-606 9944.

COMPANY NEWS+COMMENT

General Accident reaches record £70m.

WITH A reduction in the underwriting loss from £17.6m. to £3.3m., pre-tax profits of General Accident Fire and Life Assurance Corporation finished 1977 ahead from £42.6m. to a record £70.2m. At half-year profits stood at £31.3m. against £13.5m. and at the nine months stage at £50.4m. against £26.6m.

After tax of £21.2m. (£11.9m.) and minorities and preference dividends of £1.2m. (£0.8m.), the available profit is up from £30.1m. to £47.5m. and full year earnings are stated at £29.2p (£22.6p) per 25p share.

The dividend total is raised from 7.25p to the maximum permitted 8.07p net with a final of 4.34p and an additional 0.043p will also be paid for 1978 following the reduction in ACT.

General Accident has changed its accounting policy by discontinuing the practice whereby exchange adjustments on overseas profits were recovered by averaging exchange rates for the year.

On the previous basis, 1977 profits after tax would have been increased by £1.4m. (£0.8m. reduction).

Worldwide underwriting improved in the fourth quarter with a profit of £2m., reducing the underwriting loss for the year to 0.86 per cent. of premiums (£2.85 per cent.).

In the U.K. the last quarter produced an underwriting loss of £1m., largely attributed to storms in the North West and a deterioration in the industrial fire account.

The fire result overall was satisfactory but the motor account was marginally unprofitable and experience in the tenders and home owners accounts remains adverse.

In the U.S. using 1977 year-end rates, the fourth quarter underwriting profit was £0.4m. reducing the underwriting loss to £2.6m. for the year (£13.3m.) on premiums up by 18 per cent. to £481.8m. (£408.4m.).

Experience in the property account continued to improve and a profit was also earned in auto business, but both liability accounts continue to cause concern.

With an operating ratio of 98.76 per cent. in the fourth quarter, the year's figure improved from 104.25 per cent. in 1976 to 100.44 per cent.

Elsewhere the last quarter produced marginal losses in the other major territories, but improved results were achieved in the smaller territories and in the reinsurance account.

General business premium income improved from £820.3m. to £874.6m. and long-term business from £74.4m. to £81.1m.

An analysis by territory of general business premium income and underwriting results show: U.K. £242.4m. (£201.8m.) and loss £4.2m. (loss £4.0m.); U.S. £250.1m. (£230.3m.) and loss £3.6m. (loss £12.3m.); EEC £43.6m. (£42.2m.) and loss £3.4m. (loss £2.0m.); Canada £48.2m. (£35.9m.) and profit £0.3m. (loss £0.1m.); Australia £22.3m. (£27.6m.) and profit £1.6m. (£1.7m.); others including reinsurance £43.1m. (£38.4m.) and profit £2.8m. (loss £0.4m.); and marine and aviation £20.9m. (£20.0m.) and nil (loss £0.3m.).

Pre-tax profits for the year include investment income of £73.5m. (£50.6m.) and share-

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holders long-term profits of £2.7m. (£1.9m.) and is struck after interest on loans of £1.3m. (£1.7m.).

The effects of the strengthening of sterling were particularly felt in fourth-quarter in both premiums and investment income.

If the exchange rates in force at December 31, 1976 had still applied, the 1977 premium income would have increased by a further £50m. with investment income and pre-tax profits each higher by £5m., but with no significant change to underwriting results.

See Lex

Guthrie to spend £14m in Malaysia

Guthrie Corporation plans to invest more than 60m. ringgits (£13.3m.) in its Malaysian plantation interests in the next five years.

Sir Eric Guthrie-Jones, the chairman, said yesterday at the launching of a 9m. ringgit palm oil mill in Negri Sembilan state.

The mill, the fifth owned by Guthrie in Malaysia, is capable of processing 32 tons of fresh fruit bunches an hour, and brings the total capacity of the five mills to 800,000 tons of fresh fruit bunches a year.

Guthrie owns 67,000 acres of oil palm and rubber in Malaysia, and plans to install a sixth mill by 1982.

Sir Eric said that in line with the Malaysian Government's new economic policy, Guthrie last year implemented a restructuring in Malaysia, creating a new company, Guthrie Ropel, with 40 per cent. local equity. By 1980, Ropel will take over all the Guthrie estates and it is hoped that by then 40 per cent. of the equity of Ropel will be owned by Malaysians.

Receivers for Robt. Stevenson

Owing to adverse trading conditions the directors of Robert Stevenson have invited their bankers to appoint a receiver and manager. The receiver is Mr. Christopher Morris of Touche Ross and Co.

The company whose operations are centred in Norwich employs some 200 people. Trading is continuing while the receiver makes an assessment of the company's affairs and it is hoped that the business can be sold as a going concern.

Temple Bar earns more: 100% scrip

REVENUE of Temple Bar Investment Trust for 1977 emerged as £1,266,200 compared with £1,246,533 after tax of £811,089 against £735,974. Figures for 1976 have been restated as if the merger between Temple Bar and Telephone and General Trust, which became effective on August 19, 1977, had been in force throughout 1977 and at December 31, 1976.

When the merger became effective the former Temple Bar Investment Trust changed its name to Temple Bar Investment Trust (Realisation) and the undertaking of this was acquired by the company on the same date. The accounts reported include the figures from both companies for 1977.

Stated basic earnings per 25p share are up from 8.1p to 10.15p (£8.34p) (£8.34p) fully diluted. The dividend is increased to 9.3p (£8.3p) with a final of 4.35p net, and a one-for-one scrip issue is also proposed.

Net asset value per share is given as 240p (£180p) and 237p (£182p) allowing for full conversion of loan stocks.

Gross revenue 1,266,200
Tax 455,111
Net revenue 811,089

1977-78 1976-77
Gross revenue 1,266,200 1,246,533
Tax 455,111 410,000
Net revenue 811,089 836,533

Provident Mutual's new plan

Provident Mutual Life Assurance Association has launched a new flexible endowment contract the 10-25 Plan, which is in quite a different form to that issued by other life companies. It is basically to 10-year with-profits endowment assurance with the option to leave the maturity money on deposit and continue paying premiums to be cashed in at a later date up to a further 15 years.

The contract will be eligible for normal bonuses during the first 10 years. Afterwards the bonus rate will depend on the rate of accumulation of the assets on deposit. By structuring the policy in this manner, the company has avoided the problems of matching and guaranteeing surrender values, a feature with other contracts.

The policy has been written in monthly units of £2 so that cash surrenders can be made by instalment.

ing some of the units without incurring tax penalties. The minimum death cover at any time within the 25 years of the policy has been fixed at £430 for each £2 unit. It has been kept as low as possible without jeopardising the tax qualification.

Kenning sees first half drop

WHILE FIRST quarter results at Kenning Motor Group were not materially different from those of last year, Mr. George Kenning, the chairman, reports that half year profits will be down, although he says it may be possible to retrieve lost ground in the second half.

Members are told in his annual statement that motor dealers will see further improvement in line with the current trend and contract hire and car hire should produce comparable results. However, Mr. Kenning expresses concern about Kenning Tyres Services whose profits have seriously been eroded.

He states that since the end of the year, competition from cheap imported tyres has intensified further and, although sales have increased, the market has been seriously disrupted and margins have decreased.

Consequently, tyre trading results for the first half will be down, with remoulds being especially affected and therefore the tyre factories. The full year outcome depends on whether the state of new priced imports can be contained, the chairman adds.

As reported on January 12, pre-tax profits for the year to September 30, 1977, jumped 48 per cent. to a record £7,086,000 on turnover of £102,780,000. (£138,500,000).

Kenning's S.A. produced a loss for the year due to increases in overheads and to an insufficient supply of vehicles to cover the extra costs. The first quarter of the current year has shown a modest improvement, but Mr. Kenning regards this year as crucial, with the directors unaware of Leyland's plans for France.

A statement of source and application of funds shows an increase in bank borrowings of £5.43m. (£0.38m. decrease), at the year end.

Meeting, Chesterfield, March 22 at noon.

Mid-Sussex Water success

Mid-Sussex Water Company announces that applications totalling £5,734,500 were received in respect of the offer for sale by tender of £1,500,000 7 per cent. Redeemable Preference Stock, 1983.

The highest tender was £102.25 per cent. The average price of allotments was £101.645 per cent. and the lowest tender to receive a partial allotment was £101.08 per cent.

The balance of the purchase money is to be paid on or before Friday, March 31, and dealings will commence to-day.

DIVIDENDS ANNOUNCED

Current payment Date of payment

African Lakes 4.4 2.75p
Calcutta Electric 2.55 3.85p
Carloli & Tyneside 1.25 1.13p
Diploma Investments Int. 4.35 8.1p
General Accident 1.25 1.25p
Olives Paper Mill 3.45 3.5p
Temple Bar 2.55 3.5p
Throgmorton Tst. 2.55 3.5p
U.S. Deb. Corp. 1.51 3.92p
Western Mining 1.51 3.92p

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡Gross. §Additional 0.063p for 1978. †Australian cents throughout.

Carliol and Tyneside show earnings growth

ADVANCES in taxable revenue to record levels are reported by Carliol Investment Trust and Tyneside Investment Trust, whose proposed merger continues to be delayed by a tax problem.

Carliol's gross revenue ahead from £534,753 to £941,483. Carliol shows £118,452 to £708,551. Including dollar premium, investments at year-end were valued at £17,230. (£16,540). Net asset value per 25p share, including the premium, plus charges at market value and fully diluted, emerged higher at 146.2p (£141.3p) or 140.9p (£134.5p) with prior charges at nominal value.

Stated earnings per share were 4.215p (£3.828p) and a second interim, in lieu of a final, of 2.85p lifts the total to 3.35p (£3.3p) net.

Gross revenue 941,483
Taxation 406,737
Net revenue 534,753

1977-78 1976-77
Gross revenue 941,483 534,753
Taxation 406,737 222,159
Net revenue 534,753 312,594

Prestige to advance overseas

MIR. D. J. LAWMAN, chairman of the Prestige Group, says that it is hoped that 1978 will bring a further increase in overseas sales and profits.

Sales from the U.K. to external customers were at a record level in 1977 of £5.87m. against £4.46m. Over the last two years exports have increased by over 45 per cent. While the value of export orders in hand at the beginning of 1978 was higher than at the start of the previous year, the increased strength of sterling in relation to some overseas currencies will make further sales increases more difficult to achieve.

As regards Continental Europe the chairman anticipates that new product introductions and marketing activities planned for 1978 will lead to a continuation of the overall upward trend of business.

Total sales in the U.K. increased by 16.4 per cent. in 1977 to £30.15m. and profit before tax improved from £4.29m. to £4.89m.

As known the dividend of this 74 per cent. owned subsidiary of Anglo-Continental Railways Plant is raised from 5p to 5.5843p net, with a final of 3.8345p. For the current year it is intended to declare an interim of 2.31p; the increase being a relative disparity.

Extensive and losses relating to the closure of the Belgian factory are now likely to total £780,000. A provision of £700,000 was set aside as at December 31, 1977 but the directors do not consider it necessary to set aside any further amount since the realisable value of the land and buildings is sufficiently above the net book value to offset any increase in expenses and losses which is reasonably foreseeable.

Meeting 14-18, Holborn, E.C. March 22 at noon.

Drayton Prem. overseas policy

Mr. Philip Shelbourne, the chairman of Drayton Premier Investment Trust, tells shareholders that the company will maintain its investment policy as well as in other overseas markets.

He says that the world financial markets in 1977 were dominated by the decline in the U.S. dollar and that this had a generally depressive effect on Wall Street. In the current year Drayton believes that these adverse trends will start to be reversed.

At reported on February 9 net revenue for 1977 emerged up at £2.1m. against £1.8m. and the dividend is lifted to 8.7p (£8p).

The year 21, 1978, last time the decline overseas investments as a percentage of total investments. Mr. Shelbourne states. Part of this decline was accounted for by the sale of

profitability in foreseeable future, due to the depressed state of the market. Drayton Railway Plant and Foundry Company has announced its intention to cease manufacturing.

Darlington Railway Plant is part of the Thomas W. Ward group.

Earnings expand at U.S. Debenture

GROSS REVENUE of United States Debenture Corporation for the year to January 31, 1978, emerged at £4.15m. (£4.8m.) and earnings came out at £2.32m. (£2.18m.) after tax of £1.39m. compared with £1.41m.

Results are the first annual accounts following the merger with London Scottish American Trust, which became effective on August 17, 1977, and they combine the figures from both companies for the year. Comparative figures have been restated.

Basic earnings per 25p share are 3.77p (£3.7p) and 3.74p (£3.2p) fully diluted, and the dividend is stepped up to 3.32p (£3.06p) with a 2.57p net final. Net asset value per share is shown as 105.2p (£103.4p) basic and 105.7p (£104.5p) fully diluted.

1977-78 1976-77
Gross revenue 4,150,000 4,800,000
Tax 1,390,000 1,410,000
Net revenue 2,760,000 3,390,000

Darlington RLY. PLANT CLOSURE

As a result of continuing unprofitable trading situation and the unlikelihood of returning to

Greencoat's AGM to be held by end of April

Shareholders of Greencoat Properties are now being asked to wait still further for the results of their company for the year to June 30, 1978. The AGM for that period, which was called for the end of December, was adjourned without any business being transacted, and shareholders are now told that a new AGM may not be possible until the end of April.

The reason for the delay, according to a notice from the company issued yesterday, is the imminent resolution of the compensation claim against the French authorities over the Grancanal development site.

The Board has now been informed that the French Minister for Planning is at the point of finalising his proposals for payment of compensation due to Greencoat over the development. However, until the claim is finally agreed, the Board believes, as it explained in December, that the group's financial affairs cannot accurately be estimated.

The Grancanal site was placed together over several years and planning permission for a major development was obtained in 1972. At that stage the development stood in the books at

value of £5.5m. In 1978 the Conseil d'Etat revoked the planning consent and construction work stopped.

The last financial figures available from the company are for the six months to December, 1977. They showed a collapse in pre-tax profits from £214,000 for the comparable period to £12,000.

The Board promises that the AGM will be "reconvened as soon as possible or in any event not later than April 30."

Olives Paper Mill advances to £137,662

Pre-tax profit of Olives Paper Mill Company lifted from £57,898 to £137,662 in 1977 on turnover of £4,677m. against £4,177m. previously.

After tax of £70,231 (£27,565) net profit emerged at £67,431 (£30,253) and earnings per 20p share are given at 4.21p compared with 3.77p. At half-way profit was £137,662 in 1977 on turnover of £4,677m. compared with a £4,177m. loss.

Directors say that continuing recovery in 1978 depends on an improvement in the world economy.

An unchanged final dividend of 1.25p takes the total payment to 2.35p against 1.25p last time.

International Commercial Bank ahead

Consolidated profit of International Commercial Bank climbed from £4,571,733 to £5,067,571 in 1977. Net profit came out at £2,755m. against £2,181m. last time. Total assets of the bank are now £457,750m. (£504,980m.).

WATSON AND PHILIP food distributors - in October 25, 1977, reported January 27, 1978, profits of £1,450m. (£1,450m.), net current assets of £1,450m. (£1,450m.) and a decrease in £202,000 (£174,900 increase) Meeting, Dundee, March 9, at noon.

Diploma Investments tops £2m. at midw

ON TURNOVER ahead from £1.55m. to £1.98m. taxable profit of Diploma Investments rose from £0.54m. to £0.65m. in the six months to December 31, 1977.

Mr. Christopher Thomas, chairman, expects a further increase in profits for the remaining months to make another satisfactory year. Profit last year was a record £4.06m.

Mr. Thomas says that at the same time last year the company had benefited from re-stocking by customers, while there was no such favourable start this year. But he believes profits are of a better quality because of lower stock profits stemming from reduced inflation.

Both major divisions produced encouraging results but again distribution to operations showed greater growth with the electronic component companies providing more than 50 per cent. of total group profits.

The more recently acquired distributor franchises are now contributing to profits and the latest appointment, Nippon, is also off to a good start.

This division is obtaining more original manufacturers' bulk business, where although gross margins are narrower the contribution to profitability is most acceptable, Mr. Thomas says.

The manufacturing division showed little increase, but Blackdale/Sankey Sheldon's order book suggests a better second half. Its profit was halved in the period.

The group result for the year is subject to tax of £1.06m. (£0.94m.) and after minorities and preference dividends attributable profit is up from £777,000 to £847,000. Earnings per 25p share are given at 8.14p (£7.49p).

The interim dividend is lifted from 1.125p to 1.2432p net. A 2.3185p final was paid last year. Mr. Thomas says that without dividend restrictions a 10p gross payout for the full year would be predicted.

1977 1976
Turnover 1,980,000 1,550,000
Pre-tax profit 650,000 540,000
Tax 106,000 94,000
Net profit 544,000 446,000
Dividend 125,000 125,000
Leaving 419,000 321,000

comment

Pre-tax profits from Diploma's electronic component distribution business rose by 30 per cent. in the first half of the year, an increase of around 35 per cent. —but there are signs that profits growth is now slowing down.

British Steel (B'ham) to be wound up

ENGINEERING and floor covering group British Steel Construction (Birmingham) returned to the black with a £148,372 pre-tax profit, against a £19,350 loss in the October 31, 1977 year.

Following the resolution of a dispute over ownership of a subsidiary it is intended that the remaining assets and tax losses be disposed of and the company put into liquidation.

The Major subsidiaries placed in Receivership in March 1978 have been excluded from figures for both years.

The two remaining operating subsidiaries are Qualter Hall and Company and Barry Staines. The latter in February this year requested its bankers appoint receivers.

The ownership of Qualter Hall is subject to legal proceedings between the company and the receiver of a subsidiary, Todd Steel.

R. W. Aitken, chairman, says that the results for the year reflect the continued improvement in the affairs of the group during the year. Barry Staines' rate of losses was reduced, as were group central costs, while Hall continued to trade satisfactorily.

However, during the latter months of 1977 Staines encountered problems receiving payments from customers in Nigeria, the principle export market for its floor coverings. These problems strained working capital and restricted production.

Application was made to the Government for further support but the application was rejected, which led to the decision to place the company in receivership.

Mr. Aitken says the collapse of Staines has erased any hope of trying to create a worthwhile reconstruction of the group.

He hopes to resolve the dispute over the ownership of Qualter

Turnover for the latest increased from £6.65m. to £7.1m. and earnings per share are at 1.33p net per 25p share compared with a 0.38p loss last year.

1977 1976
Turnover 7,100,000 6,650,000
Trading profit 340,000 200,000
Interest payable 340,000 200,000
Profit before tax 340,000 200,000
Tax credit 51,514 51,514
Net profit 388,514 251,514
Interest payable 170,727 170,727
Earnings per share 1.33 0.38
Loss, Charge and costs act on debts the subject of reconstruction

Location Problems?

Location Problems?

Location Problems?

Location Problems?

Location Problems?

Location Problems?

Location Problems?

Location Problems?

Location Problems?

African Lakes up to £1.25m.

TURNOVER FOR the year July 31, 1977, at African Lakes Corporation expanded from £5.87m. to £6.96m. and profits rose from £394,128 to £1,247,201 after £574,115, or £488,764, for the first half.

Profits are struck after a deduction of £233,236 (£279,458) after tax of £441,651 (£488,764) and after minorities and preference dividends are shown at £98.5p per £1 share and the dividend is effectively lifted 2.75p to 4.4p net. A one-for-one scrip issue is also proposed.

The directors state exchange rates are less favourable than they were in 1976. As a result, profits so far to current year are running lower level.

1977 1976
Turnover 6,960,000 5,870,000
Pre-tax profit 1,247,201 394,128
Tax 574,115 488,764
Net profit

● TAKE-OVER RULES

BY CHRISTINE MOIR

In the main, the amendment has done the job it was designed to do. But unfortunate side effects are now emerging. Theoretically, the timing of an announcement that a bid has been received should be at the discretion of the company. In practice, however, there is strong pressure on the company to make its disclosure immediately the approach has been received. This is particularly if rumour of it has already been made and the shareholders have begun to move. So strong is this pressure that companies are being forced to make premature announcements

At present, the company is advised as to whether suspension would be the best move. Unfortunately, automatic suspension could have serious repercussions on market trading. It is probable that the major disturbances in the market at time of high bid activity when trading in several major companies could be suspended at one time.

There is also the problem that certain companies receive attractive bid approaches so frequently that suspension of trading for each one could make dealing in

In practice this means employing a merchant bank or a licensed stockbroker.

The proposal which is gaining favour at the moment is that the guarantor should be brought in at the outset. The initial bid approach should be made known through such an adviser, accompanied by a letter from a merchant bank or dealer guaranteeing the bidder's good intentions. In the absence of such a guarantee the company being approached has the liberty to ignore the offer and publicly that any bid approach has been received.

BY JOHN MOORE

London & Lomond sees dividend rise

U.K. at balance date were £13.9m (£8.74m.) and overseas £7.5m (£7.74m.).

London and Lombard will be making adjustments in its U.K. portfolio to place more emphasis on companies which should benefit from a real growth in disposable income. The strength of sterling will penalise exporting companies, he says.

But directors do not see the U.K. market as vulnerable when account is taken of the size of cash flows within the institutions, and the continued flow of money

He says that the pattern in the U.S. seems similar to the position in the U.K. not too long ago, and that with common stocks in the market on a comparable basis with the U.K., directors think the American market offers good value.

The American economy is growing at double the rate of Britain and in view of this they think it is a fair gamble to think the market would be an appropriate distance to take.

During the year there was a 12.22m. (50.28m.) decline in liquid funds.

ment disbursements, further money for the call on 101 per cent. Exchequer 1995, and settlement for sales of well-edged stock. In the interbank market overnight loans opened at 61-62 per cent., and eased to 61-61 per cent., before touching a high point of 61 per cent., and closing at 8 per cent.

Rates in the table below are nominal in some cases.

Domestic market yield	Foreign Bills %	Eligible Bank Bills %	Prime Trade Bills %
5 5/8	—	—	—
6	—	—	—
6 1/2	5 1/2-5 3/2	6 1/2-6 1/4	7
6 3/4	5 3/4-5 7/8	6 3/4	7 1/8
6 7/8	5 7/8	6 7/8	7 1/4
		7 1/4	7 1/2

Long-term local authority mortgage rate per cent. @ Bank bill rates in table are three-month trade bills 7 1/2 per cent. 128 1/2-129 1/2 per cent. and three-month bank bills 64 1/2-65 per cent. and three-month three-month 7 1/2 per cent. and three-month 7 1/4 per cent. 1918 Clearing rates for lending 6 1/2 per cent. Treasury

Mr. John L. Kavanaugh, director of operations at Robert Bradford Hobbs Savill becomes its managing director and gains a main Board seat.

Mr. Gardiner said that the provision of £3.25m. was adequate. "But I can't comment on how much money each has."

Financial Times
10 Cannon Street
London EC4P 4BY

Director

—

[illegible]

ark 10-10; per cent. New York 10
long-month bank bills 6 1/2 per cent. F
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one month's bank bills 6 per cent.
per cent. Two-month 7 per cent. and
the Finance Ministry Association 7 per
class policy 3 per cent. Clearing Bank
per cent.

Bank of England Minimum Lending Rate of 6½ per cent. (The Times, January 1979).

The authorities felt that they could not afford to help given the London money market yesterday, but money remained short supply up to the close of business. Discount houses did not bid for Treasury bills, and the market was described as small, through purchases of Treasury bills from the houses.

The Bank of England's surplus balance and the market was also helped by a slight fall in the note circulation. On the other hand there was a large increase in Treasury bills, a sizeable excess of revenue payments to the Exchequer over Govern-

ment disbursements, further money for the call on 101 per cent. Exchequer 1995, and settlement for sales of ill-edged stock. The market was quiet overnight. Loans opened at 63·61 per cent. and eased to 61·62 per cent., before touching a high point of 63·61 per cent. and closing at 62 per cent., and closing at 8 per cent.

Rates in the table below are nominal in some cases.

[illegible]

Richard Ellis

Chartered Surveyors

Crest Nicholson Ltd

An industrial group with interests in housing, leisure and engineering

Significant Progress in 1977

	1976	1977	Increase
Sales	£24,096,000	£29,726,000	+23%
Pre-tax profits	£1,220,000	£1,815,000	+49%
Earnings per share	5.08p	8.57p	+69%
Dividends per share	2.98p	3.3284p	
Supplementary dividend in respect of 1976		0.0350p	

- * Strong profit growth in all divisions.
- * Maximum permissible dividend increase.
- * The group is currently performing well and further profit growth is expected this year.



Results for 1977

The audited accounts for the year to 31st December 1977 will be published on 24th April 1978. But preliminary and unaudited figures for 1977, with actual figures for 1976, are as follows:

	1977 £m	1976 £m
Premium Income		
General Business	674.6	620.3
Long Term Business	81.1	73.4
	755.7	693.7
Profit and Loss Account		
Investment Income	75.3	60.0
Underwriting Results		
General Business	(6.3)	(17.6)
Shareholders' Long Term Profits	2.7	1.9
	71.7	44.3
Interest on Loans	1.5	1.7
Profit before Taxation	70.2	42.6
Taxation — U.K. and Overseas	21.2	11.9
Profit after Taxation	49.0	30.7
Minority Interests and Preference Dividends	1.2	0.6
Profit for the year available to Ordinary Shareholders	47.8	30.1
Earnings per share	29.2p	22.6p
Dividend per share	8.097p	7.313p

Note

In arriving at the profit for the year, overseas revenue has been translated at the rates of exchange ruling at the year end.

There has been a change in accounting policy in that the "exchange adjustment," whereby overseas profits were reconverted to average exchange rates for the year, has been discontinued. The charge for taxation is now also calculated by the application of year-end rates and comparative figures have been adjusted.

On the previous basis, 1977 profits after tax would have been increased by £3.4 million (1976—£0.8 million reduction).

Analysis by Territory of General Business Premium Income and Underwriting Result

	1977 Premium Income £m	Underwriting Result £m	Principal Rates used £m	1976 Premium Income £m	Underwriting Result £m	Principal Rates used £m
U.K.	242.4	(4.2)	—	201.8	(4.0)	—
U.S.A.	250.1	(3.6)	\$1.92	238.4	(12.3)	\$1.70
E.E.C.	45.6	(3.4)	—	42.2	(2.0)	—
Canada	48.2	0.5	\$2.18	55.9	(0.1)	\$1.71
Australia	22.3	1.6	\$1.67	21.6	1.7	\$1.56
Other, including reinsurance	45.1	2.8	—	39.4	(0.4)	—
Marine and Aviation	20.9	—	—	20.0	(0.5)	—
	674.6	(6.3)		620.3	(17.6)	

Final Dividend for the year ended 31st December 1977

As previously forecast, the Directors have decided to recommend to the Shareholders at the Annual General Meeting to be held on 24th May 1978 the payment of a final dividend on the Ordinary Shares of 4.347p per share making a total distribution for the year of 8.097p per share, being the maximum amount permissible under current legislation.

The Directors have also decided to recommend the payment of a further amount of 0.063p per share in respect of the year 1976, as a result of the reduction in the rate of Advance Corporation Tax from 35% to 34%, thereby increasing the total distribution for that year to 7.313p per share.

The dividends will be payable on or after 1st July 1978 to Shareholders on the register on 2nd June 1978.



General Accident Fire & Life Assurance Corporation Ltd
World Headquarters, General Buildings, Perth, Scotland.

BIDS AND DEALS

THF in U.S. restaurant venture

THE EXPANSION in the U.S. of Trust Houses Forte, the British hotels and catering group, continued yesterday with the announcement of the purchase of the Colony Foods restaurant chain for \$8m. (£4.1m.).

Colony Foods runs 91 restaurants, trading principally under the names "Colony Kitchen" and "Hobo Joe's." It will be merged into THF's wholly-owned U.S. hotel subsidiary Knott Hotels which THF bought a year ago. Knott's hotels include the Westbury hotels in London and New York, and the company is already involved in contract catering.

This is THF's first venture in the restaurant business in the U.S. its largest interest over there remains Travelodge International which it acquired five years ago and which now provides 36,000 hotel bedrooms in the U.S.

SOGOMANA
The chairman of Sogomana

Group, Mr. K. MacLellan has confirmed the report in Tuesday's Financial Times that John T. Holdings and Longbourne Holdings have acquired 100,000 shares each in Sogomana as "long-term investments."

The purchases were made with the full knowledge of the Board of Sogomana and it has been agreed that a representative of the purchasers will be invited to join the Board.

28p OFFER FOR REST OF DIXOR

The expected bid for Dixor from the group of businessmen who bought Matthews Holdings' 57 per cent. stake last month, has arrived.

Priced at 28p per share (the price Matthews sold at) the offer is substantially below the current market price of 47p and also lower than the shares have been in the market over the past six months.

It transpires that Mr. Michael Dinsmore and Mr. David Stark, the leaders of the consortium, have no intention of buying out the whole of the equity. The official offer document, posted to shareholders yesterday, states that the consortium hopes to maintain a distinct role for Dixor.

Already the independent directors of Dixor, headed by chairman Mr. J. H. Davidson, have firmly stated that they are not prepared to accept an offer as low as 28p per share.

Publication of Dixor's financial figures for the nine months to October 31, 1977, has been further delayed. A spokesman for Dixor said yesterday that the audit has not yet been completed. The figures are now due within the next three weeks and will be accompanied by trading figures and a pro forma balance-sheet for the first five months of the current accounting period.

ANTONY GIBBS GOES INTO LEASING

Antony Gibbs Holdings, the merchant banking and timber products group, has announced that it has acquired a 20 per cent. stake in Leasing International, a subsidiary of the private Union International group.

No price was disclosed for the sale. Matthews' last full accounts show that there is a £2m. loan secured against the factory, repayable in instalments by July 1978.

Thamesmead had been a headache for Matthews ever since it opened in 1973, largely according to Mr. Raymond Bloye, Matthews' chairman, at the time of the agreed bid, because it had been running below capacity.

In his letter to shareholders accompanying the bid, however, Mr. Bloye stressed that one of the major benefits of the merger would be that "more efficient use can be made of Matthews' processing facilities at Thamesmead by the increased volume of throughput that Borthwick's business would bring."

Mr. Bloye has since resigned as a director of Borthwick to concentrate on his other interests.

By the end of November, however, when Dr. Bullen, chairman of Borthwick, was making his annual statement, the company was described as a "problem of the first magnitude." Dr. Bullen went on to say that "it is being tackled urgently."

Yesterday, the general manager at Borthwick, Mr. Hunter, said that Thamesmead had proved excess to manufacturing requirements, and that the group had a new processing factory, at Slough, in the pipeline.

Mr. Hunter also revealed that Borthwick is in the final stages of negotiating to acquire the chain of retail butcher shops.

BRITISH ANZANI

British Anzani Construction, the building and civil engineering subsidiary of British Anzani, has acquired T. H. Contractors, civil engineers, and Tractors Hire, plant hire specialists, for an undisclosed sum.

LEAD INDUSTRIES

Completion has taken place of Lead Industries Group acquisition of one half of Federated Chemical Holdings' shareholding in Tioxide Group. As a result, Lead Industries now owns 30 per cent. (formerly 45.39 per cent.) of the equity of Tioxide, the remainder being owned by ICI.

CHARTERHOUSE FRENCH STAKE

Charterhouse Development, the development capital subsidiary of the Charterhouse Group, has acquired a minority holding in Société Industrielle de Manutention Acler et Plastique (SIMAP), a French industrial mail order distributor, for £250,000 cash. The investment has been made through Charterhouse Development's French subsidiary, Charterhouse SA, based in Paris, which will be represented on the Board of SIMAP.

TIODIDE

Following the successful outcome of the offer by Dalgely for Federated Chemical Holdings all the equity capital of Tioxide Group is now held by ICI and Lead Industries in equal shares.

The Board has accepted the resignation of Mr. J. Sparrow, (Chairman of Federated) as a director of Tioxide.

£750,000 for a new 10 per cent. Convertible Subordinated Loan Note 1987 of Concord Leasing, of which £250,000 was subscribed on February 28, 1978. The balance is to be subscribed between October 1, 1978, and March 31, 1979.

A spokesman for Gibbs said yesterday that the group saw this as an attractive investment opportunity, rather than any major move into the leasing business.

The services offered by Concord are, however, seen as being "complementary to Gibbs' existing banking activities."

BRENT CHEMICALS IN SOUTH AFRICA

Brent Chemicals International has entered into an agreement with Chemical Holdings of Johannesburg whereby a company will be formed in which the two will have stakes of 20 per cent. and 80 per cent. respectively. Certain specialist chemical interests of Chemical Holdings will be injected into a new company, which is expected to have annual sales of around £7.5m., with estimated pre-tax profits of £800,000.

SWEDISH MATCH TO ABSTAIN

Swedish Match has said that it will not be voting its 3.5 per cent. holding in Wilkinson Match, at the extraordinary meeting of shareholders to approve the conversion of the company into a public limited company.

Consideration is to be £325,000 cash for the 35 shares including the fixtures and fittings (plus the cost of the conversion). Proceeds of the sale will be applied in reducing group borrowings pending reinvestment in the U.K.

SIME DARBY MOVE

Sime Darby London, has sold its 4,588,841 shares and 36,000 warrants in Consolidated Plantations to its parent company Sime Darby Holdings for £4.8m. This stake represents less than 5 per cent. of Consolidated Plantations' total interest of 87.36 per cent.

The reason for the sale, which was at middle market prices on February 24, is stated to be the reduction of Sime Darby London's borrowings which have risen from £7.7m. at the last balance sheet date to £10.1m. But it is also thought to be part of a rationalisation of the way in which the group holds its Consolidated Plantations shares.

JAMES SHIPSTONE REJECTION

The Board of James Shipstone and Sons has told shareholders that it considers that the offer from Northern Foods is "wholly inadequate."

COLOPHONIUM

The offer by Colophonium Pty. for London Australia Investment Alpha Lease Company for a consideration of 300,000 Ordinary shares. This represents a valuation at present market prices of some £300,000.

UKO PURCHASE

Contracts have been signed for UKO International to acquire Alpha Lease Company for a consideration of 300,000 Ordinary shares. This represents a valuation at present market prices of some £300,000.

FAIRCLOUGH

Mr. M. Al-Midani has transferred his holding of 4.133m. Ordinary shares in Fairclough Construction to a private investment company of which he is a director.

ASSOCIATES DEALS

Cazenove and Company sold 500 Barratt Development Ordinary shares at 101p and 1,000 at 100p for an associate of Barratt.

SHARE STAKES

Anglo American Asphalt — W. and J. Glossop has purchased 100,000 ordinary shares and is now interested in 478,130 (10.65 per cent.).

But, "conscious of its own position as a recent seller," and having had discussions with the Take-over Panel and Wilkinson Match, Swedish Match has decided it is more appropriate for the group to abstain.

GOUGH FORECASTS PROFIT FALL

The official documents concerning the agreed bid by Gough Brothers for fellow wine and spirits merchants Ellis and Co., include a profit estimate by Gough of £200,000 for the year to January, 1978, a 35 per cent. drop from last year's £303,000. The final dividend will be maintained at 1.52p.

The directors of Ellis have also made a forecast for the year to March. After interim losses of £89,000 the full year loss will not exceed £40,000, they say.

As announced on February 16 the offer has been accepted by the Ellis Board in respect of their holdings of 27.9 per cent.

The offer involves a capitalisation issue to Ellis's shareholders whereby shareholders will receive one new share for every one they hold and existing shares will be converted into 4 per cent. Preference shares.

JAMES GRANT DISPOSAL

James Grant and Company (East) has reached agreement with Raper and Salisbury, a subsidiary of Waring and Gillow (Holdings), for R. and S. to acquire from Grants and two of its subsidiaries, carrying on the business of Hartley Carpets, the leasehold interest and the fixtures and fittings in respect of 33 of their retail carpet shops currently trading in England, certain motor vehicles, and the sole use of the trading name of Hartley Carpets.

CHARTERHOUSE FRENCH STAKE

Charterhouse Development, the development capital subsidiary of the Charterhouse Group, has acquired a minority holding in Société Industrielle de Manutention Acler et Plastique (SIMAP), a French industrial mail order distributor, for £250,000 cash. The investment has been made through Charterhouse Development's French subsidiary, Charterhouse SA, based in Paris, which will be represented on the Board of SIMAP.

TIODIDE

Following the successful outcome of the offer by Dalgely for Federated Chemical Holdings all the equity capital of Tioxide Group is now held by ICI and Lead Industries in equal shares.

JESSUPS

Jessups (Holdings) has completed the acquisition of the equity capital of ECP (Engineers). Details of the deal were announced on February 14 at the time of exchange of contracts.

A further announcement will be made at the time the total consideration for the acquisition (which will amount to the net tangible asset value of ECP as at February 28, 1978, plus £58,000 for goodwill) has been certified by the present auditors of ECP.

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THE UNION STEEL CORPORATION (OF SOUTH AFRICA) LIMITED

(Incorporated in the Republic of South Africa)

REPORT FOR THE YEAR ENDED 31ST DECEMBER, 1977

The directors announce that the audited consolidated results for the year ended 31st December, 1977, are as follows:

	12 Months ended 31.12.77	12 Months ended 31.12.76
Turnover	R900 126 046	R700 141 467
Trading Profit	9 428	14 341
Income from investments	372	54
	9 800	14 395
Less:		
Depreciation	4 160	3 731
Interest on borrowings	4 516	3 911
Profit before taxation	1 124	7 238
Taxation	41	1 598
Group profit	1 083	5 640
Earnings per ordinary share	3.59	18.88

TRADING RESULTS

The audited consolidated group profit before tax for the year amounted to R1 124 000 compared with a profit of R7 238 000 for the previous year. The group profit after tax for the year amounted to R1 083 000 which is R4 597 000, 81% lower than the tax profit for 1976.

The following aspects are of importance in reviewing the results:

- Profits on steel products were lower than the previous year as a result of a decrease in despatches due to price market conditions.
- Lack of orders had an adverse effect on production which in turn necessitated the curtailment of activity on certain production units.
- In consequence of the decline in the demand for cast iron during the last six months of 1977 there were a number of despatches in the previous year which had an adverse effect on profits.
- Veldmaster ended the year with a loss mainly attributable to a lower demand for, and keen competition on foreign markets for its products.
- A sharp reduction in the demand for aluminium conductor caused profits for Alcor to be lower than in the previous year.

DIVIDEND ANNOUNCEMENT

Notice is hereby given that a final dividend of 8 cents per R200 share has been declared on the cumulative participating preference "A" and "B" shares for the twelve month period ended 31st December, 1977.

Notice is also given that a dividend of 2.5 cents per R200 share has been declared on the ordinary shares.

Dividends are payable to shareholders registered in the books of the corporation at the close of business on the 11th March 1978.

The transfer books and registers of members will be closed from 18th March to 31st March 1978, both days inclusive and warrants will be posted from Johannesburg and London on or about 20th April, 1978. Registered shareholders present from London will receive the United Kingdom currency equivalent on 11th April, 1978 of the rand value of the dividends.

Any change of address or dividend instructions must be received by the transfer secretaries on or before 17th March 1978.

Non-resident shareholder's tax of 15% will be deducted from dividends where applicable.

By order of the Board
P. E. BRILL
Secretary

Transfer Secretaries: Consolidated Share Registrars Ltd., 62 Marshall Street, Johannesburg 2001 (P.O. Box 61051 Marshalltown 2107) South Africa

Charter Consolidated Limited, P.O. Box 102, Charter House, Park Street, Ashford, Kent, TN24 5EQ.

16th February, 1978.

London Office: 40 Holborn Viaduct, London EC1P 1AA

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MINING NEWS

Western Mining falls

OIL AND GAS NEWS

Canada's gas reserves up

Throgmorton Trust cautious

Inco sees no early nickel recovery

Y KENNETH MARSTON, MINING EDITOR

Tightening its belt as it is another lean year for the nickel producer, Inco, says that there will be some easing of demand for the metal this year. In the "recessed level" of demand for nickel, Inco's chairman, Mr. J. Edwin Carter, says that the view of the size of producer stocks throughout the world, the restoration of a healthy supply-demand balance may take some time.

Inco's stocks of Canadian nickel ended 1977 at 341m. lbs. compared with sales in that year of 112m. lbs. and a normal stock of 100m. lbs. Mr. Carter says the time taken for a supply and demand balance to be reached ends on the rate of recovery demand and the extent to which producers reduce their output.

He feels that the average annual growth rate of 6 per cent. world nickel consumption obtained from 1946 to 1976 will not be maintained over the decade. The reasons for this in the oil crisis, the transfer of financial resources to the oil-producing nations, and the increasing impact of environmental regulations.

Looking further ahead, Mr. Carter points out that the present production capacity in the Communist world is about 2m. lbs. a year, this including 400m. lbs. Canadian capacity. This is limited by environmental strains. By 1980 the total non-Communist capacity could rise to 1.7m. lbs. of which about 1.1m. lbs. will represent Inco's Mexican and Guatemalan plants.

He reckons that in the future capacity output from Inco's mines will be needed to meet increasing world nickel demand. While it is considered that at currently depressed prices for nickel, the Guatemalan project will be heavily reliant on the oil industry, the Mexican project should be able to near capacity operation.

Inco's net earnings last year fell to \$59.9m., or 51.2¢ per share, from \$100.5m., or 81.2¢ per share, in 1976. The average received for nickel products in 1977 was \$2.17 per lb. whereas current average net realised is around 25¢ per lb.

As part of its self-disciplining, Inco is reducing production and is off employees. Capital spending this year is to be cut to \$220m., helped by the completion of the Indonesian project, valued at \$450m., in 1977 and 1978.

Argentinians go ahead with uranium mine

WIGGINS TRAPE GROUP—A subsidiary of BAT Industries and results for October 1, 1977, year ended March 31, 1977, are: Sales \$15.2m., Profit \$1.2m., Dividend \$1.2m. March 17, at 12.45 p.m.

THE GOVERNMENT of Argentina has announced the start of the development of the Sierra Pintada uranium deposits in Mendoza Province, 1,000 kilometres west of Buenos Aires. Work will start on the project early next year.

The uranium will be used, at least initially, for domestic purposes. It will be supplied to the country's 300 megawatt atomic reactor and other nuclear power facilities, which are being planned.

Nuclear Mendoza, a state company, has signed an agreement with the National Nuclear Energy Commission to set up a plant to process the uranium, the reports from Buenos Aires said.

Sierra Pintada has reserves of 12,000 tons of uranium, about half of Argentina's assured national resources on the basis of Commission figures. The total of national reserve is sufficient to provide the fuel for six 800 megawatt reactors for 20 years.

Presumably, an open-pit mining operation is envisaged. The Sierra Pintada reserves cover a wide area—80 by 20 kilometres—but are at a depth of less than 20 metres.

Ontario may get a \$100m. coal venture

Ontario may get its first coal mine, reports the Montreal correspondent. The Ontario Government has granted a "soft" coal mining lease to the privately-owned Manabito Coal of Calgary, which is considering an open-pit mining operation in the Moose River area on James Bay.

The capital cost of the mine would be more than \$100m. (\$40m.) and several mining options are being explored, including both equity and debt. It is hoped to bring the property to production at a minimum rate of 1m. tons a year in 1985. The mine would have a 30-year life.

There are three basic options for the new coal mining venture. Its coal could be used to feed an on-site large power plant, which could consume up to 6m. tons a year. It could be sold to a power plant with some industrial development, or the production could be sent to industrial consumers—there is a rail link with Toronto and North Bay—at the rate of 1m. tons a year.

NCHANGA STARTS COST CUTTING

High production costs and low copper prices have led to the suspension of underground operations at the Mindola North Shaft of Nchanga Consolidated Copper Mines, a division of Anglo American.

Underground operations were suspended on February 10, as profits advanced from 3m. to a record \$12.5m. for on sales of \$78.2m. (\$71m.). The net dividend is up to 12p (11p) per share.

Capital expenditure authorised for the group but not completed at the year end, amounted to 3m. (\$4.7m.), including contractual commitments of \$0.8m. (\$1m.).

The directors report that output of the two shafts at Leith and Glengary, which were closed in 1976, has been allowed to be made on the export market after meeting an increased demand for 65-67 per cent. of the group's output for superphosphate compared with a satisfactory level of 60 per cent. in the previous year.

Both areas of the sales business division, which undertakes the

SAI meets strong demand

THEIR annual report with the directors of Scottish Agricultural Industries says that, despite the difficulties, the Society continues to exploit all its resources to raise efficiency and this over the years is effected by strong demand for the company's products.

Reported on February 10, as profits advanced from 3m. to a record \$12.5m. for on sales of \$78.2m. (\$71m.). The net dividend is up to 12p (11p) per share.

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Both areas of the sales business division, which undertakes the

EXPANSION IN INDONESIA

Oil exploration expenditure in Indonesia is expected to rise to \$1.2m. (\$1.1m.) during 1978, according to estimates from the Government-owned Pertamina Oil Corporation. Pertamina's investments in 1977 totalled \$1.1m. (\$1.0m.).

The number of exploratory wells to be drilled by the company this year is expected to increase to at least 120 from 100 in 1977.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

AMERICAN NEWS

Citizens and Southern in deficit

By Stewart Fleming

NEW YORK, March 1. CITIZENS AND Southern National Bank of Atlanta, Georgia, one of the leading commercial banks in the South, today restated its 1977 earnings to show a loss of \$7.8m. instead of a profit of \$2.3m.

On Monday the President and Chief Executive of the Bank, Mr. Richard Kattel, announced his resignation, saying that it was in the company's best interests for new leadership to take control in view of the burdens of real estate loan losses and his unfulfilled predictions that the Bank was recovering from these problems.

Court rules in favour of ITT

STAMFORD, March 1. GENERAL TELEPHONE and Electronics Corporation (GTE) said it has been informed that Judge Martin Pence of the U.S. District Court for the District of Hawaii has handed down a decision in favour of International Telephone and Telegraph Corporation (ITT) in one issue of a private anti-trust suit brought by ITT against General Telephone.

The decision relates to ITT's charge that the practices of General Telephone's domestic telephone operating subsidiaries in purchasing communications equipment violated anti-trust laws.

ITT alleged the telephone companies of General Telephone improperly favoured products of General Telephone's communications equipment manufacturing subsidiaries over those of non-affiliated producers which include ITT.

A General Telephone (GTE) spokesman said: "While we have not as yet had an opportunity to review the text of the District Court's opinion, we have been informed that Judge Pence has ruled in favour of ITT on its allegations of anti-trust violations and indicated that further proceedings will be held before the District Court on the subject of remedy."

GTE will take appropriate steps to seek review of those aspects of the Court's decision that are adverse to GTE and its subsidiaries. GTE is confident of the correctness of its position and intends to continue defending that position vigorously," the spokesman said. AP-DJ

AMERICAN QUARTERLIES

ALBERTSON'S INC.				GENESSEE BREWING				KELLOGG				R. H. MACY			
Fourth Quarter	1976	1977		Third Quarter	1976	1977		Year	1976	1977		Second Quarter	1976	1977	
Revenue	\$23.5m	\$24.4m		Revenue	\$20.5m	\$19.1m		Revenue	\$1.53bn	\$1.39bn		Revenue	\$68.1m	\$77.4m	
Net profits	\$7.0m	\$5.1m		Net profits	\$1.1m	\$1.1m		Net profits	\$138.2m	\$130.4m		Net profits	\$6.4m	\$11.7m	
Net per share	1.04	0.68		Net per share	0.70	0.68		Net per share	1.81	1.71		Net per share	4.88	4.25	
Year				Year				Year				Year			
Revenue	\$132bn	\$149bn		Revenue	\$70.9m	\$64.1m		Revenue	\$1.0bn	\$1.05m		Revenue	\$1.0bn	\$1.05m	
Net profits	\$24.8m	\$17.1m		Net profits	\$4.3m	\$4.1m		Net profits	\$48.7m	\$41.7m		Net profits	\$48.7m	\$41.7m	
Net per share	3.27	2.26		Net per share	2.61	2.53		Net per share	4.88	4.25		Net per share	4.88	4.25	

BY TERRY BYLAND

THE OUTCOME for 1977 at Occidental Petroleum exceeded by a small margin the forecasts made by the Board a month ago. Net earnings for the year are 19 per cent. higher at \$217.9m. with share earnings at \$2.82 against \$2.77. Sales increased by 9 per cent. to \$6bn. The company commented that oil and gas earnings nearly doubled during the year due to crude oil production from the North Sea interests, notably the Piper and Claymore fields.

But in the final quarter, although net earnings at \$75.6m. showed a 6 per cent. rise, share

earnings dipped from \$1.14 to 99 cents and sales fell from \$1.6bn. to \$1.5bn. The Board said that chemical and coal earnings fell back during the quarter. Island Creek Coal Division earnings reflected the onset of the industrywide United Mine workers strike in December last year.

Occidental said a change in its accounting for exploration will require a restatement of its 1977 and prior years net income.

If adopted, net income for 1977 would be reduced by \$58.3m. or 89 cents a primary share and \$48.9m. or 83 cents on primary

share in 1976, the company said. Although the Rule 19 accounting change is not required until fiscal years beginning after December 15, 1978, Occidental said it may elect to apply successful efforts accounting beginning in 1978. Also, under successful efforts Accounting, its retained earnings at December 31, 1977, would be decreased by \$321.3m.

The Accounting Change and Restatement will not affect the underlying value of oil and gas reserves, cash flow or the exploration and development programmes.

Furthermore, the conglomerate's distributing outlet, Petrobras Distributors, now leads the national market, and exports of oil and oil derivatives rose rapidly in 1977.

Offshore production rose by 18 per cent. last year to 14,010,899 barrels annually. Onshore production dropped, however, by 9.5 per cent. to 44,473 barrels.

Continuing offshore explorations have yielded a 35 per cent. rate of success (85 shows out of 262 soundings).

Motorola expects peak results

Motorola Inc.'s integrated circuit semiconductor operations were profitable in 1977, signifying a sharp turnaround in Motorola's fortunes, AP-DJ reports from Schaumburg, Illinois. The group's integrated circuit division lost money in both 1975 and 1976, losing \$25m. that year and in 1976, this led to rumours that the company's semiconductor business was up for sale, but these were denied.

Mr. Weiss decided to make any specific projections but indicated that Motorola expects 1978 results to top last year's record earnings of \$106.5m. or \$3.50 a share on record sales of \$1.35bn.

Westvaco setback

IN THE first quarter ended January 31, net income of Westvaco Corporation dropped to \$10.1m. or 60 cents a share from \$11.5m. or 70 cents a share a year earlier, reports Reuter from New York.

Mr. David Lake, the president, told the annual meeting that Westvaco lost "about \$10m. in sales during the latter part of January and that the weather penalised earnings by about 15 cents a share in January alone."

Allied Chemical higher

Allied Chemical Corp's audited net earnings for 1977 of \$4.82 per share are 12 cents per share above the preliminary \$4.70 per share reported on January 19, due to a reduction in a provision for an anticipated loss on a plant shutdown. Reuter reports from Morris Township.

Allied said in January that preliminary operating earnings were \$4.82 per share, a \$10.1m. non-recurring gain and a \$3.1m. extraordinary charge.

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Kennedy on IBM

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Senator Kennedy, chairman of the Senate anti-trust sub-committee, added that he would move ahead with legislation to curb the acquisitive actions of giant conglomerates. The Government investigation in the IBM case, which began in 1966, has been in trial since May 1975, and a final decision by 1984 may even be "optimistic," he said.

Eltra sees record

Eltra Corporation expects "record" profits in the second fiscal quarter ending March 31, Mr. Richard B. Loynd, president, told security analysts in New York, reports AP-DJ. This was despite closing 26 of the company's plants for an average of two days apiece due to severe weather this winter. In the same period last year the company earned about \$10m. or 88 cents a share.

Fruehauf's NETAM bid

Fruehauf International Ltd. will make a public bid of 62.50 Guilders (\$28.9) for each nominal 100 Guilder Ordinary share of NV Nederlandsche Tank-Apparaten-En Machinefabriek (NETAM) not already owned, the companies said in a joint statement, reports Reuter from Rotterdam.

Fruehauf will take over NETAM if it receives acceptance from 90 per cent. of shareholders. It already has 23.5 per cent. stake in NETAM's Ordinary "B" shares.

NETAM shares were quoted at 58.00 guilders on the Amsterdam stock exchange today.

Cook in deal with Mitsui

FINANCIAL TIMES REPORTER

COOK INDUSTRIES Inc. said it agreed to sell seven grain elevators and their related grain business to Mitsui and Co. (U.S.A.). The assets are substantially the same as those that Pillsbury previously agreed in principle to buy for an estimated \$80m.

Cook did not disclose terms of the sale, which it said is subject to execution of a definitive agreement, approval by Cook shareholders and other conditions.

Pillsbury announced on Monday that it had broken off negotiations to buy substantially all the grain merchandising assets of financially troubled Cook. Neither Cook nor Pillsbury would comment on the failure of the negotiations, but Cook sub-

sequently said it was negotiating with "others" for the sale of the grain assets.

Cook, a financially troubled agri-products, insurance and pest-control concern, said it will sell Mitsui its elevators and their related grain business in Illinois, Missouri, Tennessee, Dorena, Missouri, Des Moines, Iowa, and Chillicothe, Henry, Peoria, Illinois. Cook said it has one other elevator, in reserve, Louisiana and that it is continuing negotiations for its sale.

The Pillsbury agreement called for sale of all eight elevators Mitsui and Co. (U.S.A.) is a unit of the Japanese conglomerate.

When the Pillsbury negotiations broke down, sources within Cook speculated that Pillsbury

might return with a higher offer. Cook, which achieved great success in the early Seventies when it negotiated highly profitable grain deals on the world market, ran into trouble in 1977 when it disclosed losses of more than \$80m. for the year, after speculating heavily in the futures markets.

Some recovery was made in the opening quarter of the current year but second quarter results, announced six weeks ago, showed a loss of 3.4m.—and ushered in the proposed deal with Pillsbury.

Last month, Cook announced the agreement to sell for an undisclosed sum, its soyabean plant in Kansas to Bunge Corporation.

Sharp increase from Bank of Montreal

BY ROBERT GIBBENS

MONTREAL, March 1.

HIGHER net interest earnings resulting from expanded assets and strict control of costs have enabled the Bank of Montreal to post a sharp gain in profits for the first quarter of the fiscal year ending October 31.

Earnings were Canadian \$40.1m., up 12.3 per cent. from the previous quarter and up 42.7 per cent. from a year earlier.

This was equal to 94 cents a share against 90 cents in the previous quarter and 74 cents a year earlier. The number of shares outstanding has been increased by rights issues.

Net interest earnings year-to-year were up 18 per cent. to C\$194.6m. Assets at January 31 were C\$26.1bn., up C\$910m. from October 31, 1977, accounted for mainly by Canadian currency loans and mortgages and foreign currency commercial loans.

Total revenue for the quarter was C\$565.4m. against C\$495.4m. a year earlier, and expenses were C\$489.6m. C\$444.5m.).

Baker Industries restructuring debt

MR. EROL BEKER, chairman and chief executive of Baker Industries Corporation, said that the company is negotiating to amend its term loan and revolving credit agreement with eight leading banks to resolve current defaults in the company's agreed financial requirements, including tangible net worth working capital and current ratio covenants.

The company is not yet in a position to determine if it will be able to meet schedule payments coming due later this year under the agreement.

Mr. Beker also said that negotiations are under way to remedy current German bank loan defaults and to provide further required financing of the company's West German subsidiary, Baker Chemie GmbH. The negotiations are subject to approval by U.S. leading banks' call for a guarantee of additional in-

debtedness and other undertakings by the company.

The company's year-end financial statements for 1977 are not yet finalised primarily due to uncertainties inherent in these negotiations. The company experienced profitable operations for the first nine months of 1977 but a substantial loss in the fourth quarter and for the full year. The loss stemmed in large part from the previously

announced suspension of production at the company's Ontario ammonia plant and its new Mexico ammonia and urea facilities in November 1977.

Mr. Erol Beker has resumed his former position as chief executive at the request of the directors, until Mr. A. P. Gates, the president, can resume the post after recovery from a recent illness. AP-DJ

Ontario Securities Act move

A Bill has been introduced in the Ontario Legislature aimed at tightening the Securities Act, reports Reuter from Toronto. It includes more detailed rules for establishing civil liability for

inadequate documents in securities transactions.

It also obliges a purchaser to offer minority shareholders an equivalent price for their stock within 180 days after acquisition of control of a company.

Fertilisers boost for Petrobras

By Diana Smith

RIO DE JANEIRO, March 1. PETROBRAS, Brazil's large oil and oil derivative conglomerate, showed a 1977 profit of Crudeiros 15.38bn. (\$940m.) compared with a 1976 profit of just over Cr. 10bn. Sales of products and services rose from Cr. 109bn. in 1976 to Cr. 163bn. (\$9.97bn.) last year.

This sizeable increase is due mainly, a Petrobras spokesman said today, to the improved performance of subsidiaries set up in 1976.

An example here is Petrofertil, involved in fertilisers, for which demand is rising rapidly.

Furthermore, the conglomerate's distributing outlet, Petrobras Distributors, now leads the national market, and exports of oil and oil derivatives rose rapidly in 1977.

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Montedison undertaking a capital reconstruction

BY PAUL BETTS

ROME, Mar.

ALTHOUGH the Turin-based Fiat car group has firmly denied reports suggesting it might take part in an operation to salvage Italy's largest chemical and petrochemical conglomerate, Montedison, there are now some tentative moves to seek an urgent solution to the dire financial difficulties and structural problems of the Milan chemical concern.

With only two months to go before Montedison's annual general meeting, the Milan Società Italiana Resine (SIR) and Sog. Raffaele Ursini Liquigas group, employing about 140,000 people and with accumulated debts totalling more than L.3,000bn., or about \$3.9bn., is attempting to put together a substantial capital reconstruction operation involving some L.400bn.

The group is also expected to report at its forthcoming AGM in April losses for 1977 in excess of L.1,000bn. (\$1,250m.).

While a reconstruction programme for Montedison depends

not only on the outcome of the country's current protracted Government crisis but ultimately on broader proposals for the troubled chemical industry as a whole now being formulated at European Community level, Montedison's large private shareholders have been increasingly active over the past few days.

These shareholders include — directly or indirectly — two of the group's chief Italian chemical rivals — Sog. Nino Rovelli's Società Italiana Resine (SIR) and Sog. Raffaele Ursini Liquigas group. But both SIR and Liquigas are themselves facing financial difficulties. At the same time, the State ENI Hydrocarbon Holding, which controls Italy's second largest chemical concern, ANIC, holds the biggest single stake in Montedison.

Thus, a solution to the Montedison affair must effectively form the basis of the country's long-overdue reconstruction programme for the Italian chemical and synthetic fibres industry.

Montedison's peculiar private-State share holding, which has of late been increasingly a major point of controversy not only between the country's political forces, but also between individual Montedison private shareholders.

In recent days there has been speculation that Fiat, which held through the Agnelli interest in Montedison, has subsequently been would take up any increase the Montedison share capital wanted by other private holders.

But Fiat told the Financial Times that the company's intention to enter into troubled chemical sector changes in the top management of the Milan chemical group is likely to take place during the past few months of the already been a wide-spread internal reorganisation of edison's management.

KSH future clouded

BY CHARLES BATCHELOR

AMSTERDAM, March 1.

THE TROUBLED starch and foodstuffs group, Royal Scholten-Honig (KSH), has no future as an independent company in its present form. It lacks the resources to recover its position from the financial setbacks of the past few years, the Board says in an interim report.

KSH is currently negotiating with a number of domestic and foreign companies interested in acquiring parts of its business and is managing to maintain operations with the aid of a government guarantee.

The company is unable to present audited accounts for the year ended August 31 because the restructuring which is now going on means it cannot properly value its assets. Its provisional accounts show a net loss of Fl.31.3m. (\$14.4m.), nearly double the Fl.16.2m. loss of the year before.

Before interest payments KSH made an operating profit of Fl.14.5m. (\$6.7m.) compared with profit of Fl.5m. About Fl.13m. of this was realised on the foodstuffs division with the remainder coming from the starch chemicals division. Net sales rose 9 per cent. to Fl.994m.

The hopes expressed by KSH's Board at the start of the year

that it would just about break even in 1976/77 were dashed by a series of adverse factors. The continuing world recession and rising costs depressed industries.

KNP better than expected

KON. NEDERLANDSE Papierfabriek (KNP) made a small net profit of Fl.1.3m. (\$6.4m.) last year. In contrast to the loss it was forecasting as recently as December, KNP made a net profit of Fl.1.4m. in the first half of 1978 on sales of Fl.343m., following a net profit of Fl.1m. in the whole of 1976.

The Board is not paying a dividend for 1977 and will transfer net profits to the general reserve. It last paid a dividend, of Fl.5, in 1974.

The 1977 profit was arrived at after writing down Fl.44.7m. on fixed assets (Fl.42.6m. in 1976). Net profit per Fl.25 nominal share rose to Fl.0.60 from Fl.0.46 the year before. Cash flow per share was Fl.20.23 compared with Fl.19.18. Macmillan Bloedel of Canada holds 43 per cent. of KNP.

The sterling sector was yesterday and in the sector prices were a shade! Some cheap bargain in seem to be getting active.

Nippon Credit Bank's five year floating rate note been priced at par by manager Daiwa Securities, the minimum coupon rate cut by a quarter of a point 55 per cent. The notes will be a semi annual interest rate 1 per cent. which will be 1 to the Singapore six month bank rate.

The Deutschmark sector the market was steady yesterday with turnover down on the two days of the week. domestic market was also strong. A private placement of DM for Thailand is expected this week.

In the Guilder sector, Netherlands Antilles Fl.26m. per cent. debenture issue 1980-2003 was priced at par lead manager Algemene N. land.

Expansion by Rabobank

BY OUR OWN CORRESPONDENT AMSTERDAM, March 1.

CENTRALE RABOBANK, the Dutch agricultural co-operative bank today announced a further expansion of its activities in the international insurance market. Rabobank will acquire a 50 per cent. holding in the insurance broking company, Bruns, ten Brink and Co. from Slavenburgs Bank. Slavenburgs will retain a 50 per cent. stake.

Rabobank has long been seeking a participation in this area to extend its own activities. It said in a statement issued in Utrecht. In 1976 it reported a strong expansion of its insurance broking business in the life, general accident and holiday sectors.

At the end of that year it em-

ployed 760 specialised insurance advisers, an increase of 48 during the year.

Brun, ten Brink, which has a staff of 55, has been associated with Rabobank for many years. Its contacts abroad will open up further opportunities in the international insurance sector for the bank. Its independence as an insurance adviser to existing clients will not be affected, however, Rabobank said.

The bank, which is the largest in Holland in terms of balance sheet total, is rapidly expanding its range of services. In December it bought a 25 per cent. stake in Van Lanschot, a smallish Dutch bank with strong international links.



Extract from Audited Accounts 31st December, 1977.

	1977	1976
Share Capital and Reserves	2,000	5,000
Subordinated Loans	17,347	15,302
Deposits	12,536	13,418
Total Assets	423,822	444,437
Consolidated pre-tax profit	487,753	504,977
	6,067	4,572

A British bank which specialises in medium term lending in all currencies

Shareholders
The Hongkong and Shanghai Banking Corporation
Commerzbank A.G.
The First National Bank of Chicago
Banco di Roma International Holding S.A.
Irving Trust Company
Credit Lyonnais

International Commercial Bank Limited

9-10 Angel Court, Throgm

This announcement appears as a matter of record only



Iran Power Generation & Transmission —Tavanir Co.

Guaranteed by

The Ministry of Economic Affairs and Finance
of the Imperial Government of Iran

US \$37,312,000

to provide finance for a contract between

Tavanir Co.

and

GEC Turbine Generators Limited

for the supply and erection of a second 145 MW steam turbine power plant at Ahwaz in Iran

Arranged by

Morgan Grenfell & Co. Limited

Provided by

Morgan Grenfell & Co. Limited

Lazard Brothers & Co., Limited

Lloyds Bank International Limited

with the funding and payment guarantee of

Export Credits Guarantee Department

Agent Bank

Morgan Grenfell & Co. Limited



On March 2nd the ABN Bank
opens a branch in San Francisco,
introducing Dutch expertise to the
Bay Area, trading centre of
America's most prosperous state—
California.

Dutch expertise that's known
the world over. Because the Dutch
are everywhere. Five of the world's
biggest companies are Dutch.

Dutch tugboats tow ships safely over the five oceans.
Royal Dutch is the world's second biggest oil company.

Holland is too small for the Dutch.

Does it surprise you then that a Dutch bank, the
ABN Bank, has branches in almost every financial
and trade centre in the world?

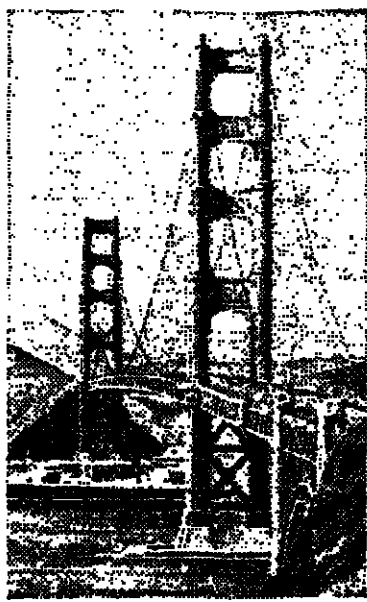
And from now on, also
in San Francisco.

The Dutch are globe-trotters.
They have to be, if their small country is
to mean anything in the world. They
have been building, transporting and
trading in foreign lands for centuries.
So has the Algemene Bank Neder-
land in 40 countries on the five conti-
nents. Supporting local as well as inter-
national banking needs. They know the
right people, the languages, the markets,
due to their 150 years of international
business and banking experience.

In the United States the ABN Bank
already has offices in New York, Chicago,
Los Angeles, Houston and Atlanta.
And, from March 2nd, in San Francisco!

San Francisco,
601 California Street, California 94108,
telephone (415) 362-3100, telex 34-766.

London, Chief Office, 61 Threadneedle Street,
EC2P 2HH, P.O. Box 503,
telephone (01) 628 4272, telex 887366.



Golden Gate Bridge San Francisco

ABN Bank

The ABN Bank has offices and affiliates in: The Netherlands, Ireland, Great Britain, Belgium, France, Federal Republic of Germany, Switzerland, Gibraltar, Italy, Greece, Turkey, (Solomon Bank Unit), Lebanon, Saudi Arabia (Al-Bank Al-Ahliyya Al-Iraqiyya), United Arab Emirates, Bahrain, Iran (Mazra'eh Bank of Iran and Holland), Pakistan, India, Malaysia, Singapore, Indonesia, Hong Kong, Japan, Morocco (Al-Bank Al-Ahliyya Al-Maghribiyya S.A.), Kenya, U.S.A., Canada, Netherlands Antilles, Suriname, Venezuela, Panama, Australia, Mexico, Operating under the name Banco Holandes in Argentina, Uruguay, Paraguay, Brazil, Peru, Ecuador, Colombia.

INTERNATIONAL FINANCIAL NEWS

Sharp lift in Bank Leumi earnings

By L. Daniel

TEL AVIV, March 1

THE BANK LEUMI group—Israel's oldest and largest banking institution, which according to its latest annual report ranks 88th among the world's 100 biggest banks—will pay an unchanged dividend of 16 per cent cash in respect of 1977, together with bonus shares at the rate of 33 per cent, (20 per cent in 1976) to its 200,000 shareholders.

However, this will account for less than 40 per cent of its net profit with the other 60 per cent to be used to strengthen reserves. In line with its policy of broadening its capital base in the face of the depreciation of the Israeli pound and the 42.5 per cent rise in the Israeli cost-of-living index.

Consolidated net profit, including extraordinary items, rose 138 per cent to ILS339m. (\$34m.) in 1977, from ILS28m. in 1976. Parent bank profits were ILS390m., against ILS183m. The Bank Leumi group, headed by Bank Leumi Ltd, Israel, increased its capital funds by over 100 per cent in 1976 by two major issues in Israeli currency as well as by floating a second \$30m. note issue through its American subsidiary and by increasing the capital funds of its New York State-incorporated subsidiary by a further \$10m. This brought its capital to over ILS4m., or to ILS6m. if non-convertible notes are included, according to director Mr. Ernst Japhet.

The group prides itself on the fact that the foreign exchange element in its consolidated balance-sheet exceeds 50 per cent. This includes both the group's subsidiaries abroad, its foreign branches and representative offices, as well as the foreign exchange accounts of non-residents and residents held in Israel with the parent bank. If the latter are excluded (mainly German restitution or pensions and new immigrants' accounts) the foreign exchange component in the overall balance-sheet is around 40 per cent.

As a result of this, and despite the devaluation of the Israeli pound in 1977 (by 76 per cent against the U.S. dollar and by 98 per cent in relation to the Deutschmark), the group increased its balance-sheet total from ILS33m. at end 1976 (calculated at the then prevailing exchange rate of ILS75 to the dollar) to ILS99m. at the end of 1977, when the exchange rate was ILS15.75 to the dollar.

Only 13 per cent of the group's balance sheet represents unlinked Israeli assets. It now has 360 branches and offices, 36 of them abroad, its international business having undergone a considerable expansion due to bigger foreign trade and the more liberal foreign exchange policy of the Likud Government. Its foreign subsidiaries accounted for 21 per cent of the consolidated balance sheet.

Expansion

Asked by the Financial Times for his opinion on the Israel Government's decision to permit the issue of bonds linked to both the cost-of-living index and the U.S. dollar, Mr. Japhet said that while he was fully in agreement with the Bank of Israel's desire to encourage savings and soak up surplus purchasing power, he regarded the step as regressive. Instead of reducing the burden of payments at redemption time stemming from the linkage (payments which this year account for a larger proportion of the State budget than does defence), the new bonds would further increase this indebtedness, swelling the budget and accelerating the inflationary process.

KLK profits soar in 1977

By Wong Sulong

KUALA LUMPUR, March 1

PROPELLED BY an increase in oil palm output, and strong commodity prices, Kuala Lumpur Kepong, the giant Malaysian plantation company last year saw its profits soar.

Net profit for the year ending in September 1977, rose to 24.5m. ringgits (\$US10.6m.) from 9.5m. ringgits in 1976.

The company is paying out a final dividend of 7.5 per cent, making the total dividend for the year to 12.5 per cent (10 per cent in 1976).

The company's palm oil estates proved the star performers, earning a trading profit, before tax of 30.4m. ringgits.

Production of palm oil and kernels was 47,700 tons and 10,300 tons, respectively, compared to 38,000 tons and 8,500 tons in 1976.

Selling prices for oil and kernel were 1.314 ringgits and 670 ringgits per tonne, increases of over 50 per cent, and 80 per cent, respectively, compared with 1976 prices.

The company has 20,000 hectares of oil palm. The matured area increased from 80 per cent in 1976 to 88 per cent in 1977, and the company expects a much higher volume of production as its newly-opened estates in Johore come into maturity.

For the current financial year, KLK says, it does not anticipate the same profits as last year, due to lower oil palm prices, but it is confident that profits will be much higher than those of 1976.

AUSTRALIAN NEWS

Property sector hits IAC profit

By JAMES FORTH

IAC (HOLDINGS), the finance company and subsidiary of Citicorp, incurred an operating loss of \$A\$1.5m. (\$US\$8.7m.) in 1977—a legacy of the collapse of the property market in 1974—but believes that the worst is over. The directors expect the group to incur further losses in the first half of 1978, but foresee a return to profit in the second half, although they are not willing to predict a profit for the full year.

The loss came entirely from property activities, but there was a sharp reduction in losses in the second half.

The IAC result compares with a loss of \$A\$443,000 in 1976. The directors have taken into account a future tax benefit of \$A\$23.5m. and declared a net loss of \$A\$27.99m., compared with a profit of \$A\$1.06m. in 1976.

Two weeks after announcing the 1976 result, the U.S. parent, Citicorp, announced a takeover offer to buy out the remaining Australian public holding because the property market had deteriorated further with the collapse of the Parkes Development Group, and plans by other badly affected groups

to accelerate their property sales. Citicorp warned that heavy provisions for possible losses in property would be needed. It turns out that the total of \$A\$45.77m. was provided for possible real estate losses.

Of these, \$A\$23.39m. were provided in the first half, and \$A\$12.2m. in the second half. Since Citicorp was forced to rescue IAC in 1974 by pumping in about \$A\$150m., the financiers had run up real estate losses of around \$A\$115m. The directors have switched the emphasis to other activities and the importance of property is now declining rapidly. Real estate loans at December 31 totalled \$A\$318m. or 31 per cent of gross receivables, compared with 37.5 per cent last year, and 48 per cent at the end of 1975.

The most marked improvement, however, was the reduction in property loans on a non-accrual basis. At December 31, these loans totalled \$A\$83m. and would have cost the group about \$A\$12m. in 1977 in interest forgone. Because of the loss no dividend will be paid for 1977. In 1976 shareholders received 7.5 cents a share.

Downturn at AMI

By OUR OWN CORRESPONDENT

SYDNEY, March 1

AUSTRALIAN Motor Industries (AMI) suffered a 53 per cent drop in earnings for the December half-year, but still performed better than many competitors in the automotive industry. AMI, which assembles and distributes Toyota and Rambler vehicles, reported a profit of \$A\$1.32m. (\$US\$1.5m.) compared with \$A\$2.78m. in the same previous period.

The directors place most of the blame on the Victorian power strike late last year, which reduced turnover from \$A\$131m. to \$A\$124m. (\$US\$143m.), rather than the depressed market for new vehicles. Total registrations slumped in 1977 to the lowest level for years, forcing the Government to lengthen tariff and quota protection for the local manufacturers and to consider widening the protective net.

General Motors-Holden's recently reported a loss of \$A\$8.4m. for 1977—its first deficit since starting local operations in 1948—while Chrysler reported a \$A\$28m. loss. Nissan is also expected to report a loss, and Ford

Ansett Transport

ANSETT Transport Industries, the airline, transport, television, manufacturing and hotel group, lifted earnings 12.4 per cent from \$A\$9.5m. to \$A\$10.7m. (\$US\$12.2m.) in the half-year to December, but the directors cautioned that it was most difficult to predict with any certainty the overall performance of the group for the second half.

Profit failed to keep pace with the growth in sales, which increased 14.6 per cent from \$A\$224m. to \$A\$257m. (\$US\$293m.). The interim dividend is lifted from 4.5-cents a share to 5 cents. Last year the company paid a final of 5.5 cents, making a total payout of 10 cents.

News in pastoral move

By OUR OWN CORRESPONDENT

SYDNEY, March 1

INTERNATIONAL Newspaper and media group, News Limited, has diversified into the pastoral industry with the \$A\$2.5m. (U.S.\$2.4m.) purchase of seven Merion sheep stud properties. News bought F. S. Falkner and Sons' Proprietary from Cleckheaton, the textile group. The Falkner group has been established for more than 100 years and was bought by Cleckheaton in 1971 for \$A\$2.6m. The deal includes two world-famous studs, Boonoke and Wanganella in New South Wales.

The chief executive of News, Mr. Rupert Murdoch, said the group was pleased at the prospect of diversifying into the pastoral industry. "We have confidence in the pastoral industry," he said. "We have confidence in the pastoral industry," he said. "We have confidence in the pastoral industry," he said.

Cleckheaton sold Falkner as part of its plan to reduce its short-term liabilities and to invest more in the textile industry. Cleckheaton had been considering the sale of the properties for about six months, and negotiating with News Ltd. for two months. The directors were pleased the stud complex would be maintained by a big organisation such as News Ltd.

Hindustan Lever spreads shares

By R. C. Murthy

BOMBAY, March 1

HINDUSTAN LEVER, the wholly owned subsidiary of Unilever, has completed public issue worth Rs. (88m.) as a result of which it now has the largest number of shareholders in any company in India.

The company made the issue a result of which the number of shareholders rises to 2 to bring down its equity holding to around 10 per cent, to comply with Foreign Exchange Regulation Act (FERA) under which foreign companies must "disinvest" their ownership phased manner.

Hindustan Lever is among companies unlike national Business and Coca Cola, which wound up business in India following stipulations and is pre-discussing with the Government the extent to which foreign equity is to be sold. Under FERA, this is possible only if the company can show acceptable profit involving expansion or significant technology export-oriented units combination of both.

Hindustan Lever is primarily consumer product company and had a turnover of Rs.2,130m. in 1976. It has posed additional investment of Rs.278.4m. (of which Rs.30m. obtained from public issue will be used in areas to comply with the requirement requirements.)

New investment is in three areas: an export-oriented unit, which has on stream recently, a detergent plant in Jaipur and Kashmir, and a Rs.2 sodium triphosphate (STP) project in West Bengal.

Further dilution of the capital base is necessary to conform to FERA. The company wants to raise at least 51 per cent foreign funds. The process developed by the company to issue certain non-edible oil in soap making, says Mr. Thomas, chairman of Hindustan Lever, is "sophisticated technology."

Expansion at Tribeni

By P. C. Mahanti

CALCUTTA, March 1

TRIBENI Tissues, the subsidiary of the U.K. Wiggins Teape Group Ltd., has completed an expanded production capacity to 13,500 tons of cigarette tissue and of specialty papers per year. The company has also been a further licence to produce 5,000 tonnes more of products without having to sell its foreign equity, which present is 51 per cent of total share capital.

According to Mr. R. M. Jeyasingh, managing director, the company fulfils the three conditions of the Indian Foreign Exchange Regulation Act, which allows subsidiary foreign companies to invest 51 per cent foreign equity. The conditions involve use of rare technology, core technologies of industry and a minimum export obligation.

The Wobaco Group

1977 Highlights

	1976 (\$US\$000)	1977 (\$US\$000)
Loans	585,553	635,848
Deposits	959,017	959,783
Total Assets	1,012,544	1,023,058
Net Profits	5,061	5,891
Share Capital	21,600	21,600
Total Capital Funds	31,610	37,501



MEMBER COMPANIES

Wobaco Holding Company S.A.—Luxembourg
World Banking Corporation Limited—Nassau
World Banking Corporation S.A.—Luxembourg
World Banking & Trust Corporation (Cayman) Limited—Grand Cayman
Wobaco Trust Limited—Nassau
Wobaco Trust (Jersey) Limited—Jersey, Channel Islands
Wobaco Investments Limited—London

BOOKS OF THE MONTH

Announcements below are pre-paid advertisements. If you require entry in the forthcoming panels application should be made to the Advertisement Department, Bracken House, 10 Cannon Street, EC4A 4BY. Telephone 01-246 8000. Ext. 7064

Labour Force Participation and Development

Guy Standing

Surveys economic factors that induce mainly women—but also the very young as well as the elderly—to seek gainful employment; main factors observed are correlates of economic growth.

ISBN 92-2-101769-9 (hard cover) £8.90
ISBN 92-2-101770-2 (himp cover) £5.95

International Labour Office

Labour Force Participation in Low-income Countries

Edited by Guy Standing and Glen Sheehan

Includes case studies related to five Latin American countries, one Caribbean, four African, seven south-east Asian and one European country; investigates education and family income factors which induce women to work.

ISBN 92-2-101811-3 (hard cover) £7.20
ISBN 92-2-101812-1 (himp cover) £5.00

International Labour Office

The Determinants of Labour Force Participation in Yugoslavia

M. Rasevic, T. Mulina, M. Macura

Surveys general economic, social and demographic trends in Yugoslavia, 1955-1971. It describes changes in economic activity, examines marital and educational characteristics and describes the influence of development and employment policies.

ISBN 92-2-101904-4 £3.35
International Labour Office

The International Monetary System

Robert A. Mundell and Jacques J. Polak, Eds.

Emerges from IMF Conference November 1976. Deals with national and international authorities' role in flexible rate systems, and control over international liquidity. Contributors: O. Emswiler, P. A. Volcker, H. Giersch, G. Haberler, R. Triffin, F. Magill, R. Solomon.

Columbia University Press, N.Y. \$15.00

Butterworths Company Law Handbook

Ed. Keith Walmesley

Similar in style to the popular Orange Book, this new title contains the plain text of all the relevant legislation in a manner designed to enhance its everyday utility.

Butterworths
Limp 0-406-14510-2 £7.00 net (U.S.\$14.00)

Managing a Partnership Office

D. H. S. Harrowes

This new book gives practical guidance to professional people concerned with improving the efficiency and profitability of their partnerships. From recruitment to salary structures, office location in management philosophy, everything is included.

Butterworths
Limp 0-406-22232-9 £4.00 net (U.S.\$8.00)

Fire and Motor Insurance

Third Edition, 1978

E. R. Hardy Ivamy

This clear and informative book is well set out in short, readable paragraphs, with ample sub-headings, numbered points and liberal footnotes. It is a valuable reference work for all those concerned with insurance law and policy.

Butterworths
Casebound 0-406-22232-1 £18.00 net (U.S.\$36.00)

Kitchen's Road Transport Law 1978

Nineteenth Edition, 1978

Ed. James Duckworth

This popular annual has been completely updated to take account of new laws and regulations (for example, on tachographs) and continues to provide a clear and straightforward interpretation for non-lawyers.

Taxation of Land Transactions

Second Edition, 1978

A. R. Mellows

This much expanded second edition describes the principles and practice of the various taxes which apply to land transactions for all who wish to minimise the tax and duty payable.

Butterworths
Casebound 0-406-62301-0 £18.00 net (U.S.\$37.25)

European Research Index

Directory of establishments conducting, promoting or encouraging research in science and technology including agriculture and medicine. Completely revised and enlarged, covering government and independent research establishments, university research departments and research laboratories of industrial firms.

Francis Hodgson
West Europe: (2 vols.) Swiss Frs. 400.00
East Europe: (1 vol.) Swiss Frs. 200.00

Who's Who in Atoms

Completely revised edition of this international guide now to its 17th year of publication. Listing about 10,000 leading figures in the nuclear field at national and international level.

Francis Hodgson
Swiss Frs. 225.00

Industrial Research in Britain

This guide to British science and technology is now in its 30th year of publication. The 8th edition is completely revised. Fully indexed.

Francis Hodgson
Swiss Frs. 200.00

Who's Who in Banking in Europe

A financial guide listing some 10,000 bankers holding senior positions throughout western and eastern Europe including the USSR. Fully cross-referenced.

Francis Hodgson
Swiss Frs. 100.00

Directory of Financial Directories

A guide listing on a world basis directories covering finance, banking, insurance, economics, and many fringe fields. Fully indexed.

Francis Hodgson
Swiss Frs. 90.00

Guide to Employment Conditions

Second Edition

Robert Porter

A straightforward guide to the obligations and duties now placed on every employer by extensive government legislation. Covers recruitment, terms of employment, dismissal, redundancy, employment of women, trade unions.

George Godwin Limited £3.50

Who's Who in World Jewry

12,000 biographies of outstanding men and women from more than 70 countries. Jewish Chronicle Publications £40

Guide to Price Controls 1977-78

Robert Willott

This work analyses the Price Control Commission's work, explaining how the investigatory procedures work, when a price is likely to be scrutinised by the Price Commission and the grounds for starting an investigation and restricting prices.

Quinta Publishing and The Institute of Chartered Accountants in England and Wales £5.50

BOOKS
Monitoring the enemy in wartime

BY C. P. SNOW

Most Secret War: British Scientific Intelligence, 1939-45 by R. V. Jones, Hamish Hamilton, £5.95, 556 pages

Practice To Deceive by David Mure, William Kimber, £6.50, 370 pages

Many people have a romantic picture of spying. Quiet figures in mackintoshes lurking under the neon lamps, picking up secrets which affect the fate of the nations, dropping those secrets in holes in trees, at mortal risk from other quiet figures, usually Slavonic. Some of that old-fashioned espionage still goes on. But not many secrets which actually affect the fate of nations have been discovered like that.

One isn't popular when one gives an alternative scenario—an extremely complicated set of electronic equipment working away on messages transmitted by another extremely complicated set of electronic equipment: results passed to a series of thoughtful-looking men sitting in their offices; then (in wartime) thoughtful-looking men persuading military persons to believe what they are told. By the side of that studios—and profoundly ingenious—process, old-fashioned espionage hasn't had much of a look-in for the last 40 years.

Here, however, is a singular exception, in a book which it would be hard to overpraise. Through the nature of his work, Professor R. V. Jones in the last war was obliged to be close to the old-fashioned espionage, though he was at the same time guided by new-style intelligence also.

He was engaged in the actual technical detail of the German air war. To cope with that, he had to discover the fine structure of what the new German weaponry, and uses his wide reading, disdained which, on balance, seemed justified. It did not emerge from the facts of that case that the inheritance of acquired characteristics had been established, then ignored by a hostile academic world. Darwinism, however refined, can't break through the political prisoner in Spain and the author nursing for 25 years on the theory of the sciences and the mind. One life led naturally into the other. Experiences during the Spanish Civil War raised for him the questions of freedom and man's rationality, group identity and the possibility of extra-sensory perception. The totalitarian picture of man as a counter to a mechanical universe, was seen beside the dogma of evolution through chance. Science's laws became working hypotheses, waiting to be challenged in his *Darwinism of Now* and *The Invisible Writing* he first enlarged on these personal events, political and mental. Bold imagery and a marvelously lucid style make these books the work of a master. What, though, of their more speculative successors to which this book is less a new addition than an heir on a slightly wider canvas?

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we like, and how they were going to be used. That meant photographs, specimens, scraps of knowledge collected, often at mortal cost, by gallant underground workers all over Europe; and it meant one man with a quite abnormal and specific intuition into what those random facts added up to, and how, in our own military terms, the problems could be solved. It was a wonderful story, and splendidly told. It is a help if the reader knows a little practical physics, but no one should be put off by it. It is scientifically accurate, the exposition is beautifully lucid, and the story is in many ways the most interesting of all the records on our side of the last war.

R. V. Jones himself is as interesting as the story he was responsible for. In the 1930s, he was a young research student in physics, working at Oxford. Though he was extremely clever, he was different in kind from any literary intellectual one can imagine. He was certain war was coming. He was determined to help win it. His father had been a non-commissioned officer, and a very brave one, in the Brigade of Guards. Jones possessed the most unquestioning military virtues.

The young man had no more doubts about his duty than a good soldier had. He was a radio amateur, and he knew he had a flair for the kind of gadgetry that is bound to be vital in the coming war. He also had a regrettable passion for practical jokes, the memory of which still fills him with hilarity. The only disarming aspect of his personality was revealed in this book. He was a highly literate, writes with had to discover the fine structure of what the new German weaponry, and uses his wide reading, disdained which, on balance, seemed justified. It did not emerge from the facts of that case that the inheritance of acquired characteristics had been established, then ignored by a hostile academic world. Darwinism, however refined, can't break through the political prisoner in Spain and the author nursing for 25 years on the theory of the sciences and the mind. One life led naturally into the other. Experiences during the Spanish Civil War raised for him the questions of freedom and man's rationality, group identity and the possibility of extra-sensory perception. The totalitarian picture of man as a counter to a mechanical universe, was seen beside the dogma of evolution through chance. Science's laws became working hypotheses, waiting to be challenged in his *Darwinism of Now* and *The Invisible Writing* he first enlarged on these personal events, political and mental. Bold imagery and a marvelously lucid style make these books the work of a master. What, though, of their more speculative successors to which this book is less a new addition than an heir on a slightly wider canvas?

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didn't impede him much. He spent 30 years as Professor of that, applies. Second, because of its secrecy, such is in the public sense, mis-rewarded. If honours are given to a man, then perhaps, six people in science and secret research ought to have been hand repaid on paper, just to how much we were in the Most of those are now Jones is very much alive and soundly based people in ranks high in any such dozen and with him, at there is still time to p. edent.

Jones' work has been part, well known, and in no room for scepticism at. Practice To Deceive is, a rate for me about a of intelligence of which anyone concerned is convinced deceptions in the Middle that his own kind of secret work, and so on. Well, importance within it, the most reading, rarely written, more soundly based people in ranks high in any such dozen and with him, at there is still time to p. edent.

His earliest spectacular success was to discover the German method for directing bombers by intersecting radio beams. This was made possible by Winston Churchill in his war memoirs the young man Jones confronting all opposition, and being proved right. Of course, he made enemies, he was positive, arrogant, and worst of all, he had a maddening habit of almost never being wrong.

It is a little sad that, after six years of such work, he felt ill-used. He is, on the whole, fair and generous to those who got in his way; but he did want, after the war, to be in control of the Ministry of Defence, that is, to be the supreme boss of military scientific intelligence. He went away from Whitehall, and has

R. V. Jones: intelligence expert who was almost never wrong

Game played with rules BY ROBIN LANE FOX

Janus: A Summing-Up by Arthur Koestler, Hutchinson, £8.95, 364 pages

Arthur Koestler's life does not fall into two neat halves, the political, then the speculative. Koestler's break with the political prisoner in Spain and the author nursing for 25 years on the theory of the sciences and the mind. One life led naturally into the other. Experiences during the Spanish Civil War raised for him the questions of freedom and man's rationality, group identity and the possibility of extra-sensory perception. The totalitarian picture of man as a counter to a mechanical universe, was seen beside the dogma of evolution through chance. Science's laws became working hypotheses, waiting to be challenged in his *Darwinism of Now* and *The Invisible Writing* he first enlarged on these personal events, political and mental. Bold imagery and a marvelously lucid style make these books the work of a master. What, though, of their more speculative successors to which this book is less a new addition than an heir on a slightly wider canvas?

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Battered people

BY SARAH PRESTON

Web of Violence. A study of family violence by Jean Renzo, Routledge and Kegan Paul, £4.95, 240 pages

"If a child is not safe at home, he cannot be protected by case-work," is a dictum often quoted by social workers. It was made by Professor Henry Kempe, the American expert on child battering, and it is equally true of the other victims of family violence treated in *Web of Violence*, a grim account of wife-beating, child abuse, granny-bashing and incest.

Jean Renzo has performed a useful service by drawing together in one volume some of the evidence about problems which are usually looked at separately but which share the same roots and present similar difficulties to those who are trying to counter their effects.

Domestic violence is not new. Wife-beating is older than the jokes about it. Cruelty to children is abhorrent but has always existed. King Lear was not the first old man suffering from senile decay to receive more than he deserved at the hands of his own daughters. The difference today is that people live in isolated units. In the past several generations of a family often lived in the same house or in the same area and could give each other support in every day matters. A woman there to spend more than half her life at home raising a family. To-day she spends half her life projects.

U.K. ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output, engineering orders, retail sales volume (1970=100); retail sales value (1971=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). seasonally adjusted.

	Ind. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unem. played
1977						
1st qtr.	103.3	105.3	111	103.2	216.4	1,330
2nd qtr.	102.0	102.9	105	102.6	222.2	1,330
3rd qtr.	102.5	103.8	108	104.6	234.9	1,418
4th qtr.	101.5	102.5	108	104.9	238.6	1,421
Aug.	102.6	103.3	118	105.2	238.7	1,414
Sept.	102.4	103.3	106	103.9	235.7	1,446
Oct.	101.2	102.2	106	103.3	238.3	1,423
Nov.	101.3	101.9	99	103.8	237.3	1,423
Dec.	102.1	103.3		107.0	246.3	1,428

FINANCIAL TIMES SURVEY

Thursday March 2 1978

WORLD DEFENCE INDUSTRIES

Although there have been efforts in some countries in recent years to restrict spending on defence for a variety of both political and economic reasons the overall volume of money spent on armaments of all kinds continues to rise.

T YEAR spending on manufacturing in all its manifestations has always been a feature of the world's industrial output, and this has grown to become one of the world's biggest single industries, employing directly several millions of people (over 200,000 in the U.K. alone, and well over 1m. in the U.S.), together with several millions more in ancillary industries, such as electronics, components, metallurgy, vehicle manufacture and so on. This fact may be unpalatable to the protagonists of disarmament, but it is none the less an inescapable fact.

The biggest defence industries in the world are undoubtedly those of the Soviet Union (where the annual defence budget is believed to be in the region of \$130bn.) and the U.S., where the defence budget for the financial year beginning this July 1 is set at over \$115bn. Much of both budgets is devoted to procurement, and both countries send a substantial quantity of their defence production overseas, the Soviet Union to its allies in the Warsaw Pact and to a lesser extent to Third World countries, while the U.S. exports much equipment to NATO, the Middle East and elsewhere.

Evaluation

The recent U.S. defence budget for the 1978-79 financial year showed an increase of about 3 per cent. over the previous year, due entirely to the determination of the U.S. Government to strengthen U.S. conventional forces in the face of continued developments in the already exceptionally busy, and the same direction by the Soviet Union. Of the proposed budget, defence no less than \$32bn. is earmarked for direct procurement

including some \$12bn. for new aircraft, over \$4bn. for missiles, nearly \$5bn. for ships, and over \$2bn. for combat vehicles, such as tanks—while research, development and evaluation accounts for another \$12.5bn. Out of the total budget, therefore, about one-third can be said to relate directly or indirectly to the defence manufacturing industries.

Although details of Soviet defence budgets are not avail-

able in comparable detail, it is highly likely that the Soviet Union and its Warsaw Pact allies spend at least a comparable proportion of their total outlays on procurement of weapons and equipment—and at this time may even be spending more, in view of the evident substantial build-up of conventional weapons over the past few years, which shows no signs of abating.

The recent U.K. Defence White Paper, for example, revealed that since 1968, the increase in the strength of Soviet forces in Central Europe had amounted to no less than 31 per cent. in tanks, to a total of 9,500; 38 per cent. in artillery, to a total of 4,400 pieces;

in artillery by 2.5 to 1 and in fixed-wing tactical aircraft by 2.4 to 1.

It is this massive shift in defence philosophy towards a build-up of conventional weapons that is already having a most profound effect upon defence budgets, and consequently upon world defence manufacturing industries. The 3 per cent. rise in NATO budgets set for the period ahead, for example, while apparently small, is none the less likely to have a big impact on those industries involved in manufacturing all the weapons systems that would be needed to fight a conventional battlefield type of operation without resort to nuclear weapons, at least in

the critical initial stages—such as infantry weapons, armour of all kinds, anti-tank weapons, assault equipment and low-level strike aircraft.

When to this situation in Central Europe and the rest of NATO is added the undoubted build-up of conventional weapons systems throughout the Middle East, and in many countries of Africa, from the Mediterranean shores to the Cape of Good Hope, it can be seen why the overall conclusion

launched guided missiles, and even various types of infantrymen's rifles and ammunition. The concern is expressed not only at the waste of valuable financial and manufacturing resources that this type of duplication involves, but also the military inefficiency that it creates—for example, the logistics problems of supplying the various units and theatres of combat with all their varied requirements at a time of almost certain "blitzkrieg" type of

more needs to be done. But the problems are considerable. They include genuine differences of view over the relative merits of one country's weapons compared with another's, which can involve years of discussion aimed at standardisation but no positive results. Examples of this include the recent discussions over provision of a new heavy main battle tank for West Germany and the U.S., which has resulted in each country going its own way, while a long evaluation over the best gun for the U.S. XM-1 main battle tank, involving a competition between the U.K. 120 mm. rifled barrelled gun and the West German 120 mm. smooth-bore gun, has resulted in a U.S. decision first to use its own 105 mm. gun, and then to consider whether or not to go to the West German product. An opportunity for standardisation thus appears to have at best resulted in minimal returns, and at worst to have been lost.

Another difficulty in achieving standardisation is that very often different countries in NATO have different time-scales for the development of specific new weapons systems, complicating the already difficult task of dovetailing the varying military and even political requirements to together. The main battle tank illustrates this problem, also. The U.K. does not need a replacement for its Chieftain tank until the late 1980s, and so has not been directly involved in the discussions between the U.S. and West Germany, whose own main battle tank replace-

ments requirements fall much earlier. Because of such difficulties, it is almost miraculous that such common programmes as are agreed ever succeed—but there have been such successes, and probably will be more. The Tornado multi-role combat aircraft can already be described as a managerial, industrial and logistical success, even before its military capabilities have been tested in combat.

Anxious

In addition to these questions of standardisation, every major world is anxious to recoup some of its defence outlays by selling its products wherever it can. The biggest arms sellers in the Western world are, of course, the U.S. itself, France, the U.K. and West Germany. So far as the U.S. is concerned, President Carter is trying to restrict arms sales (which are now more delicately described in Washington as "arms transfers") to countries other than those in NATO, Japan, Australia and New Zealand. For 1977-78, he has set a ceiling on such arms sales overseas of \$8.6bn., which compares with \$9.3bn. the year before, and his aim is progressively to reduce this figure. But many believe this policy will be severely eroded by the sheer pressures of international events, as illustrated by the controversy over President Carter's decision (still subject to Congressional approval) to sell combat aircraft to Israel, Egypt and Saudi Arabia. Furthermore, the military situa-

CONTINUED ON PAGE III

The spending goes on

By Michael Dome, Defence Correspondent

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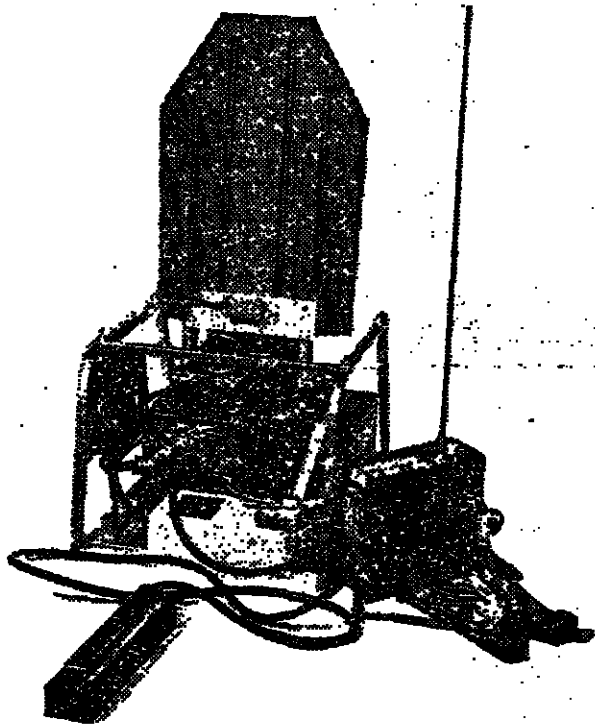
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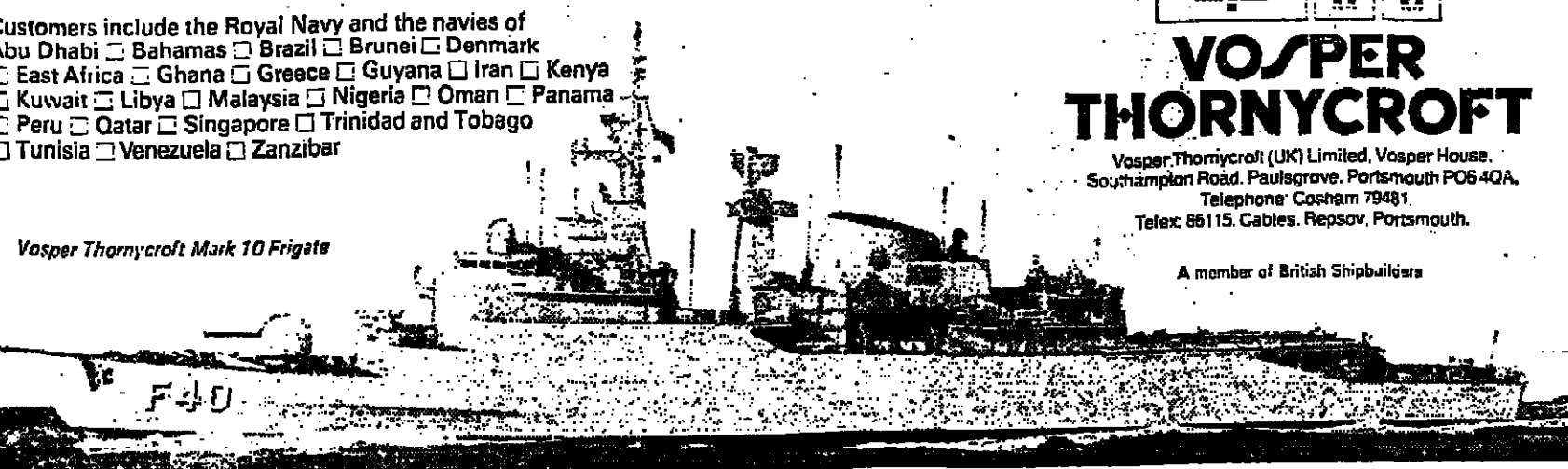
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JUST OVER a year ago when President Carter took office and in his inaugural address pledged to abolish nuclear weaponry from the face of the earth, the prospects for a new strategic arms limitation agreement with the Soviet Union seemed suddenly brighter. A fresh approach, it was felt, might not only induce Moscow into concrete substantive bargaining, but also persuade the sceptical hawks in the U.S. Congress, responding to the honeymoon that an incoming President can calculate on enjoying, to look kindly on whatever new arrangement was worked out. That optimism is much reduced to-day. The Soviet Union brusquely rejected the original Carter initiative carried to Moscow last spring by Mr. Vance, the Secretary of State, and though the two sides did manage to reach an understanding last September on the broad framework of a new SALT treaty, there is ample evidence of continued deep differences of opinion over details. In the meantime, Congressional opposition to a fresh pact has appreciably stiffened in recent months and general relations with the Soviet Union, exacerbated by tensions in the Horn of Africa, have become stickier. Only the other week, the Communist Party newspaper, Pravda, felt obliged to warn dismissively that "the Soviet Union is not going to affix its signature to such a scrap of paper."

Nonetheless, negotiations—in Geneva, Washington and Moscow—have persisted for many months, punctuated by intermittent reports of sizeable concessions on one side or the other and subsequent hardening of positions. The original target of having a new arrangement in force by the time the first SALT treaty, based on the Vladivostok accords signed by Presidents Ford and Brezhnev in 1974, expired in October 1977, passed without much notice. The current betting is that it will be hard to reach a provisional agreement by the second half of this year and harder still to secure Congressional approval for such a pact, particularly in a mid-term election year, until next year and problematical, at best, even then.

Attitude

The basic American attitude towards a nuclear confrontation is that neither side can hope to win an all out war. The important administration study, drawn up last year, "Military Strategy and Force Posture Review," assumes huge civilian casualties and the destruction of at least three-quarters of the economies of both countries. Some defence experts dispute this and believe that the Soviet Union has not, as implied in the study, abandoned its goal of nuclear supremacy and is still intent, by developing nuclear weaponry of high accuracy, on attaining a deci-

sive edge: according to these arguments, a new SALT treaty, along the lines publicly outlined to date, would be a means to that end.

The negotiations have become bogged down over details, although the general framework, worked out in Geneva last May, does not appear to be in serious dispute. This would provide a three-tier arrangement—an eight-year treaty, placing ceilings on the numbers of ballistic missiles and long-range bombers and multiple warhead systems (MIRVs), plus a three-year protocol, during which both sides would agree to limit deployment of new weapons systems such as the U.S. Cruise Missile and Soviet SS18 heavy missile, plus the drawing up of a statement of principles to guide future negotiations and to include a commitment to make deep cuts on strategic forces in the 1980s.

In subsequent negotiations in the summer, both sides made what were described as major concessions—with the U.S. agreeing to major modernisation of the Soviet missile force and the USSR relaxing its demand for stringent range requirements on the air-launched version of the Cruise Missile.

The provisionally agreed ceilings would limit both sides to deploying until 1985 between 2,150 and 2,250 missiles and bombers—which would require no effective U.S. reduction from current deployment but an overall cut of about 300 in Soviet strength. Under the overall ceiling were several sub-limits, with both sides giving some ground, the U.S. on the linkage between MIRV missiles and aircraft carrying Cruises, the Soviet Union on the number of land-based missiles equipped with MIRV warheads. This latter concession, Administration sources contended, helped offset the fact that the U.S. was apparently willing to allow the Soviet Union a ceiling of 308 heavy missiles, twice as many as the U.S. had first proposed.

Details of the above accommodations—and more besides—

first appeared in the New York Times and prompted much debate about their source. It is generally believed here that the documents were leaked to the newspaper by those who opposed the American negotiating position and who felt that Mr. Paul Warnke, the U.S. chief delegate, was in the process of giving too much away.

Since then, however, little progress seems to have been made on key details, most notably Cruise Missile range limitations, the types of bomber which would be permitted to carry the Cruise, restrictions on deployment of the Soviet back-fire bomber, and the types of new missiles the Soviet Union would be permitted to deploy. Singularly unimpressed with President Carter's decision to cancel the B-1 bomber, the Soviet Union is reportedly endeavouring to seek to prevent the U.S. using new generations of wide bodied jets in the 1980s as carriers of the Cruise Missile, gradually replacing the

aging fleet of B-52s which are thought to be sufficient for the job until the middle of the next decade.

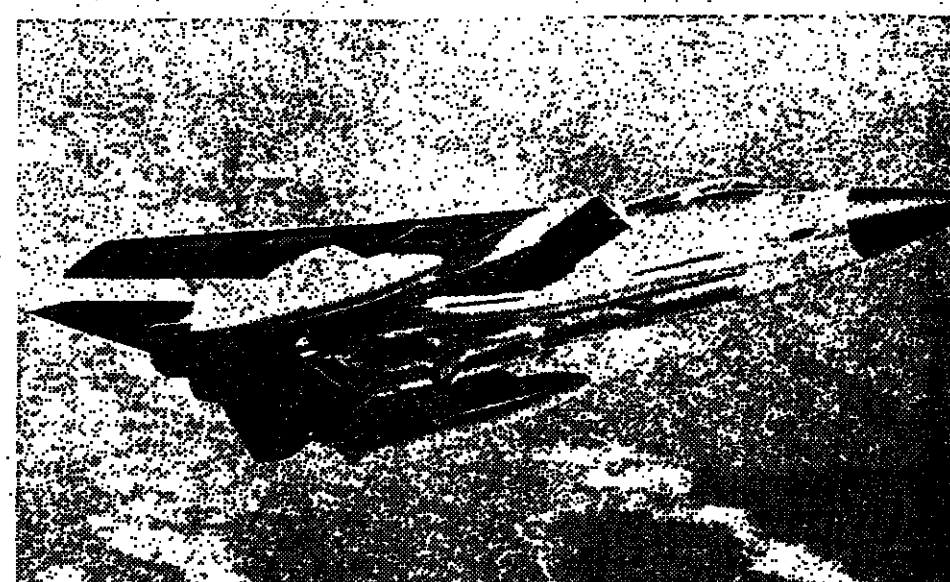
Competition

It is generally agreed here that the selling of any new SALT treaty to the Congress will be extremely difficult, probably more so than that currently being encountered over the Panama Canal. As a general philosophy, the Carter Administration characterises its policies towards Moscow as being a mix of competition and co-operation. It has specifically tried to avoid the policy of "linkage" practised by Dr. Kissinger under Presidents Ford and Nixon, preferring instead to treat, in so far as possible, individual subjects in isolation. But the concept of linkage dies hard in Washington—not least on Capitol Hill—where many congressmen and senators simply expect the Administration to make progress on, for example, SALT condi-

tional co-operation else say in Africa.

Ally this feeling to the military hard line faction Congress, under the aegis of Senator Henry Son from Washington State something very close to a third in the Senate exists. The Administration aware of this and has mightily in recent months strengthened the hands of more favourably disposed new SALT treaty, including patching some senators to the progress of the negotiations in Geneva. But a little hard evidence to that the iron hand exerts the likes of Senator J over strategic questions been significantly weakened. The Administration has that the mid-term election November will produce a more benevolent position, but that may more than a fond hope.

Jurek M
U.S.



The Air Defence Variant of the Tornado multi-role combat aircraft. The programme on this aircraft now being undertaken by the U.K., West Germany and Italy is an example of NATO international collaboration and standardisation at work. A total of 809 Tornados will be built and the RAF will 385 of which 165 will be of the ADV type shown.

... and for NATO

MORALE AT NATO's Brussels Headquarters has taken a turn for the better in recent months. Following last May's London summit, and President Carter's call for a strengthening of Western forces, the feeling is that the Alliance is at last recovering a "sense of purpose" in response to the continuing military building-up by the Warsaw Pact.

The new bid to strengthen the Alliance is still in its early stages. The first thorough evaluation of progress will not be made until the next summit, in Washington, in just under three months' time. Nevertheless, the Alliance's Defence Ministers were clearly encouraged by the way a start had been made when they held their annual end-year meeting in Brussels before Christmas. While repeating their concern that the gap in conventional forces between NATO and the Warsaw Pact was still widening, they concluded that "significant force improvements" had been accomplished in 1977 and that more would materialise.

The improvements made in 1977 stem mainly from last summer's decision by Defence Ministers to push ahead with short-term measures in areas such as anti-armour, war reserve stocks and "readiness and reinforcement" without waiting for agreement on the longer term plan for the 1980s which will be discussed in Washington. The short-term programme, to be completed by the end of this year, provides, for instance, for a one-third increase in holdings of anti-armour missiles and similar boosts to reserve stocks in other key areas.

The second mid-year commitment—a three per cent increase in defence spending in real terms in each of the five years starting in 1979—is also beginning to bear fruit. The U.S., Canada, Belgium, Norway and the U.K. have now all stated that they will meet the

target in their next budgets, and West Germany is expected to follow suit. Britain has also committed itself to a further three per cent in 1980-81, but has cautiously left the final three years of the target period "subject to review in the light of economic circumstances." This is in line with the let-out clause under which countries may miss the targets if their economies cannot stand the strain.

The U.S., on the other hand, has already gone all the way and promised three per cent increases in real terms throughout the five-year period. At the same time, Dr. Harold Brown, the Defence Secretary, has said that the U.S. will more than double the amount of equipment pre-positioned in Europe and develop the capacity to air lift five divisions across the Atlantic within 10 days by 1983. Arrangements will be made by the Air Force to ensure that an extra 60 tactical air squadrons can be sent to Europe in the same length of time. Meanwhile, President Carter announced in Brussels last January that a further 8,000 American troops would actually be stationed in Europe in the next 18 months.

Response

The new readiness on the part of most members to strengthen the Alliance is in part a response to President Carter's initiative. But the response itself would have been impossible were it not for a growing alarm in West European public opinion at the extent of the Warsaw Pact build-up. Without this general atmosphere of increasing anxiety it would have been difficult, for example, for a British Labour Government to have announced its recent plans for increased defence spending.

The measures taken by the West are not, however, going to be enough to come anywhere near closing the gap with the Warsaw Pact. Last month's British Defence White Paper published latest estimates showing that Warsaw Pact forces in Central Europe currently outnumber Nato (including France) by between two and three to one in terms of main battle tanks, artillery and fixed-wing tactical aircraft. In the Eastern Atlantic, the Warsaw Pact countries have 40 per cent more submarines and 20 per cent more surface ships.

The West has traditionally taken some comfort in the superior quality of its equipment and the greater skills of its fighting men. But these are factors the NATO countries can no longer rely on as they did in the past. The latest edition of The Military Balance, published by the International Institute of Strategic Studies,

says that the traditional qualitative superiority of NATO's weapons is being eroded as new Soviet equipment is introduced. While NATO has been modernising its forces, the Warsaw Pact has been modernising faster and expanding at the same time, it says. In some areas, such as surface-to-air missiles, certain armoured vehicles and artillery, Soviet weapons are now superior.

In addition to the growing Soviet presence in the world's oceans, the air balance in Central Europe has changed markedly in recent years. While the NATO countries have in the past planned on fighting a future battle for air superiority over Warsaw Pact territory, they now expect to be fighting defensively in their own airspace in the event of a major confrontation in Europe. It has been suggested that the Soviet Union could now forgo the use of nuclear weapons to launch a major pre-emptive attack on the West European countries, such is the power of its conventional air forces.

But it is not just sheer weight of numbers that worries the West. The Soviet Union has openly demonstrated the extent of its airlift capacity in supplying Ethiopia in the current war with Somalia, while on the ground in Central Europe the West faces Warsaw Pact armies that are all equipped with standardised, interoperable weapons. The diversity of NATO equipment is such that in some cases, for example, Western tanks fighting side by side would not be able to use their radios to communicate with each other.

Diversity is not entirely without its military advantages. The West can be pretty sure what sort of weapons it is likely to come up against, while Warsaw Pact commanders may be in for surprises. But it can hardly make sense for the NATO countries to field as many as 23 different anti-tank weapons and 33 types of combat aircraft in Central Europe. The former Supreme Allied Commander in Europe, General Andrew Gompertz, has been quoted as estimating that NATO forces are losing from one-third to a half of their capability through lack of standardisation.

Some NATO force enough ammunition to a few days, others for weeks, but they cannot force each other to become differences in equipment 300 standardisation agreements have been made, but none of them have been implemented. A leading American expert has claimed that even if the countries made a major to standardise their equipment of which there is so sign, their forces would fully interoperable into the 21st century. General Carter has said to make a new drive up the so-called "street" for mutual arm chases between Euro North America; tentative are starting between members of the European Programme C see what can be done national interests are such that it is bound to be and laborious process.

Intentions

Meanwhile, the EU remain deeply concerned American intention: bilateral arms limitation with Moscow. general fear is that V ton will make a deal v Soviet Union that Western Europe's without fully consulti Europeans—an irony that the Americans are hard to dispel. In the Europeans are after Washington will bargain their option to acquire Cruise missile, which they want to strengthen defences in the years. There is a major problem the reduced basic weapon so-called "auton which most European want for military rease which their Government afraid to ask Washin supply for political. The Alliance may recovered sufficient se purpose to start tackling of these problems, but is a very long way to go they are solved.

Reginald
European

DEFENSE
et diplomatie

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Developments in nuclear weapons

THE MOST effective way of disabling a tank is to pierce its armour. No matter how light the penetration, the crew will experience a devastating psychological setback as soon as the armour-piercing shell or tank of flame from a flame-thrower enters the hull, or when a "scab" of steel blasted from the inside wall of the tank begins to ricochet around. The crew will evacuate their vehicle without delay, leaving the weapon system stranded.

No more effective way of penetrating a tank's armour and eliminating its crew has been found than the neutron bomb or enhanced radiation weapon. No armour plate is proof against high-intensity neutron and gamma rays, high doses of which can kill almost instantly through brain damage, as with other toxic agents, such as chemical and biological agents, however, the problem is how to deliver the neutrons for maximum effect on the enemy and minimum effect on one's own forces—and on nearby civilian populations.

The Pentagon believes that its nuclear weapon designers are close to solving this problem in terms of one potential battlefield, Western Europe, against which the Warsaw Pact countries have amassed an immense concentration of armour. The answer, it is proposed, is a nuclear explosion which disperses most of its energy not as heat and blast, as most nuclear weapons do, but in the form of ionising radiation, mostly in the form of penetrating rays known as neutrons. A decision on whether NATO's forces in Europe are to be equipped with the new weapon is likely to be taken at the meeting of the NATO Summit in Washington in three months' time.

The "neutron bomb," as a concept, dates back at least to the 1950s and the early fusion (hydrogen) bombs. It has taken many years, however, to refine the idea into a compact miniature weapon with a well-defined tactical role. As a way of disabling heavy concentrations of armour it probably has no rival in sight. The Pentagon believes it can

ENERGY FROM TYPICAL WEAPONS			
	"Conventional" tactical nuclear weapon %	Enhanced radiation weapon %	
Blast	50	34	
Heat	35	24	
Prompt radiation (neutron and gamma rays)	5	40	
Fission product radiation	10	2	

package its new weapon into a warhead for the army's Lance missile or into an eight-inch artillery shell. Britain remains silent on whether it, too, is developing such a weapon. The first public reference to the new weapon was made last March, by General Alfred Starbird, assistant administrator for national security of what was then the U.S. Energy Research and Development Administration (ERDA), and to-day is part of the Department of Energy, whose laboratories develop the Pentagon's nuclear weapons. General Starbird told a Congressional committee that the new weapon would be designed to "reduce the blast effect and get the kill radius you want through enhanced radiation."

Damage

It seems likely that 50 per cent or more of the crew of this type of low-yield bomb would be emitted as "prompt radiation," compared with about 5 per cent for a conventional nuclear weapon. Exploded a few hundred feet up in the air above the tank formations, it would probably kill instantly almost every crew member within a radius of about 800 metres, so intense would be the blast of neutron and gamma rays. The less fortunate would die in agony in a matter of days from irreparable damage to the gut and the bone marrow, for example. These rays, however, would leave no residual radioactive contamination on the battlefield. In theory the disabled tanks could be taken over by the victorious forces; but in

practice these fighting vehicles are heavily dependent upon electronic "brains" which, like the crews themselves, are very vulnerable to high intensities of ionising radiation. Those tanks which survive the still-considerable effects of heat and blast in the vicinity of the explosion are unlikely to prove sufficiently "hardened" to radiation to avoid being towed ignominiously away after the battle.

Just how devastating these miniature nuclear weapons are likely to prove in tank battles was illustrated by a recent article in *New Scientist* by a student of war studies at King's College, London. Those who received whole-body radiation doses of about 3,000 rads upwards—the dose capable of penetrating tank armour at 800 metres—would be knocked out. Those who received between 3,000 and 6,000 rads would probably recover consciousness and even some ability to fight, but the likelihood is that their tanks would not. In any event they would probably die within a month. Those who received more than 6,000 rads would probably die without recovering, remaining paralysed until they died. To place these radiation doses in better perspective, any dose greater than 200 rads carries a risk of proving lethal.

The debate which has raged for the past year about the "morality" of the neutron bomb has disclosed that the claims that it killed without damage to property—the "ultimate capitalist weapon," as it has been described—are exaggerated. For approximately the same "kill radius" of about

800 metres, within it would probably kill everyone, the neutron bomb need have only one-tenth of the explosive power of a "conventional" tactical nuclear weapon. It would still pack a deadly punch from the normal effects of all kinds of explosives, namely blast and heat, as the Table indicates. It would also spread some radioactivity through fall-out of fission products from the nuclear reactions. But it would be very much "cleaner" than a tactical nuclear weapon designed to destroy by blast and heat only; and certainly far cleaner than the "radiological" weapons in which the Pentagon showed a disturbing interest in the 1960s. Such weapons were conceived as deliberately spreading radioactivity over the battlefield. The deadly rays of the new weapon will themselves leave no residue of radioactivity, for example in the corpses trapped inside the tanks.

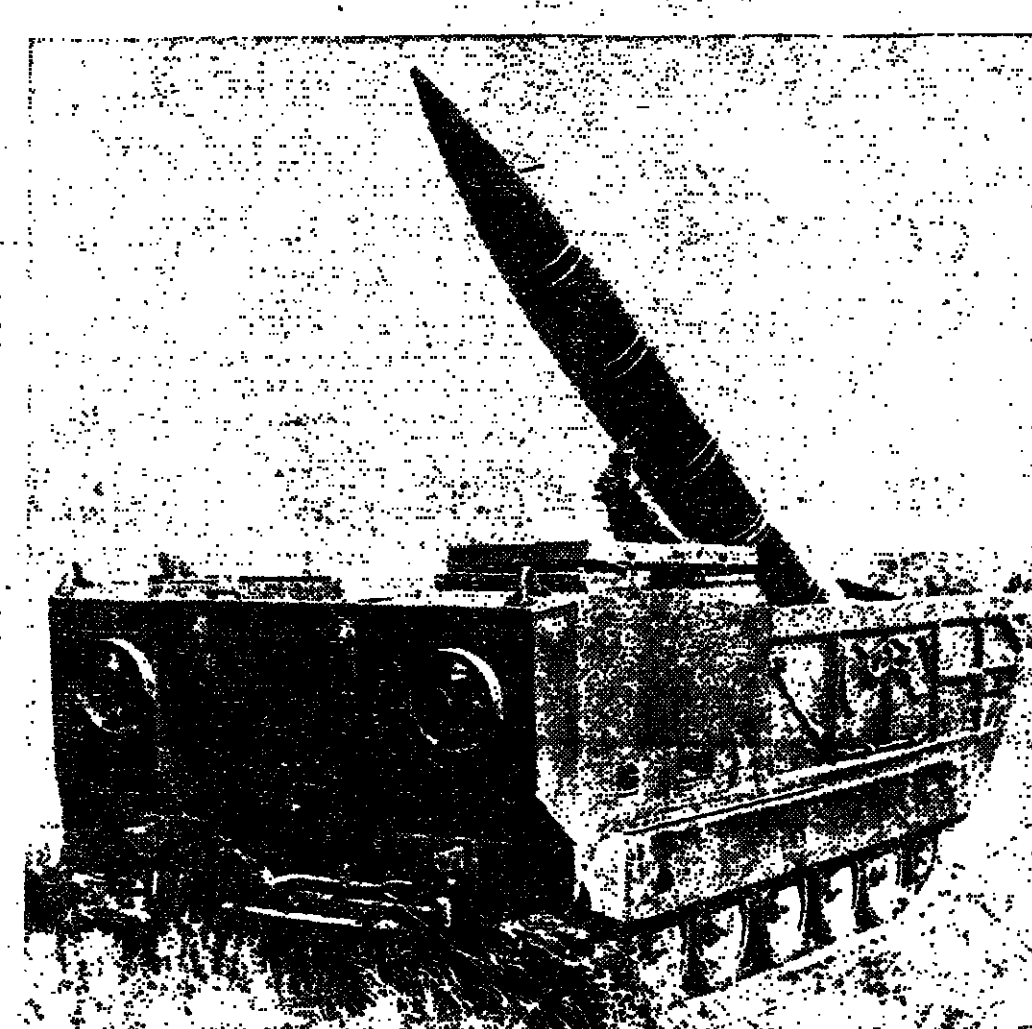
The neutron weapon affords NATO forces the prospect of a highly cost-effective counter-measure to a tank armada, for a battle which would be fought on their own territory. Given the present imbalance in armour of about three to one, there is no obvious reason why the Warsaw Pact forces should want the neutron weapon themselves. On the other hand, they are armed with a mobile intermediate-range ballistic missile, the SS20, with three independently targeted nuclear warheads, and a range that encompasses all Western Europe's cities. The SS20 missile, Mr. James Callaghan, the Prime Minister told MPs last week, was a "far more dangerous weapon than the neutron bomb."

But even for NATO forces in Europe, for which the weapon is being tailored, the neutron bomb is not the ultimate weapon. An obvious way of countering its impact would be to disperse the dense concentrations of armour, necessitating the use of far more neutron bombs than is envisaged at present. There are those who argue that the new weapon will eventually include the sale of operation Agreement on

by encouraging battle commanders to call for their use with less inhibition than they would have about deploying "conventional" nuclear weapons. But there are also those who claim that the very lethality of the neutron bomb is itself an additional deterrent to starting the battle in the first place.

As for the "collateral" damage done by such a weapon, this can be summarised by saying that the heat effects of a nuclear explosion fall as the square root of distance from the explosion, the blast effects fall as the cube root of distance from the explosion, but the radiation effects fall as the sixth root of distance from the explosion. In other words, the lethality of the new weapon falls off extremely sharply with distance. A 10-kiloton tactical weapon would probably inflict lethal second-degree burns on everyone within about 3.5 kilometres, whereas the "kill radius" for burns from a 1 kiloton enhanced radiation weapon would be limited to about 0.5 kilometre. The most obvious consequence of this is that NATO forces and even urban populations could be quite close to an explosion without suffering acutely from radiation effects. This is not so for conventional tactical nuclear weapons, and probably very hard to achieve for dispersals of any other kind of toxic agent.

David Fishlock
Science Editor



The Lance missile on its tracked launch vehicle seen at the Royal School of Artillery, Larkhill, Wiltshire.

Spending

CONTINUED FROM PAGE 1

tion in the Horn of Africa, Lynx helicopters and Rolls-Royce Gem engines to Egypt, with perhaps final assembly and the U.S. has agreed to buy from the U.K. wherever the latter can provide items that match home-produced U.S. goods in terms of quality, price, performance and delivery dates.

The U.K. itself is a big overseas seller of arms of all kinds. The Defence White Paper said that such sales of equipment and services were expected to amount to at least £800m. in 1978-79, making a substantial contribution to the country's balance of payments, covering a wide range of items.

The U.K. aerospace industry heads the list of overseas defence suppliers, and some major deals have been achieved in recent months, including the £500m-plus follow-on contract for the development and support of the Royal Saudi Air Force, and another for the supply of Swingfire missiles to Egypt. Further major contracts are in negotiation in the Middle East, and it is expected that these will eventually include the sale of operation Agreement on

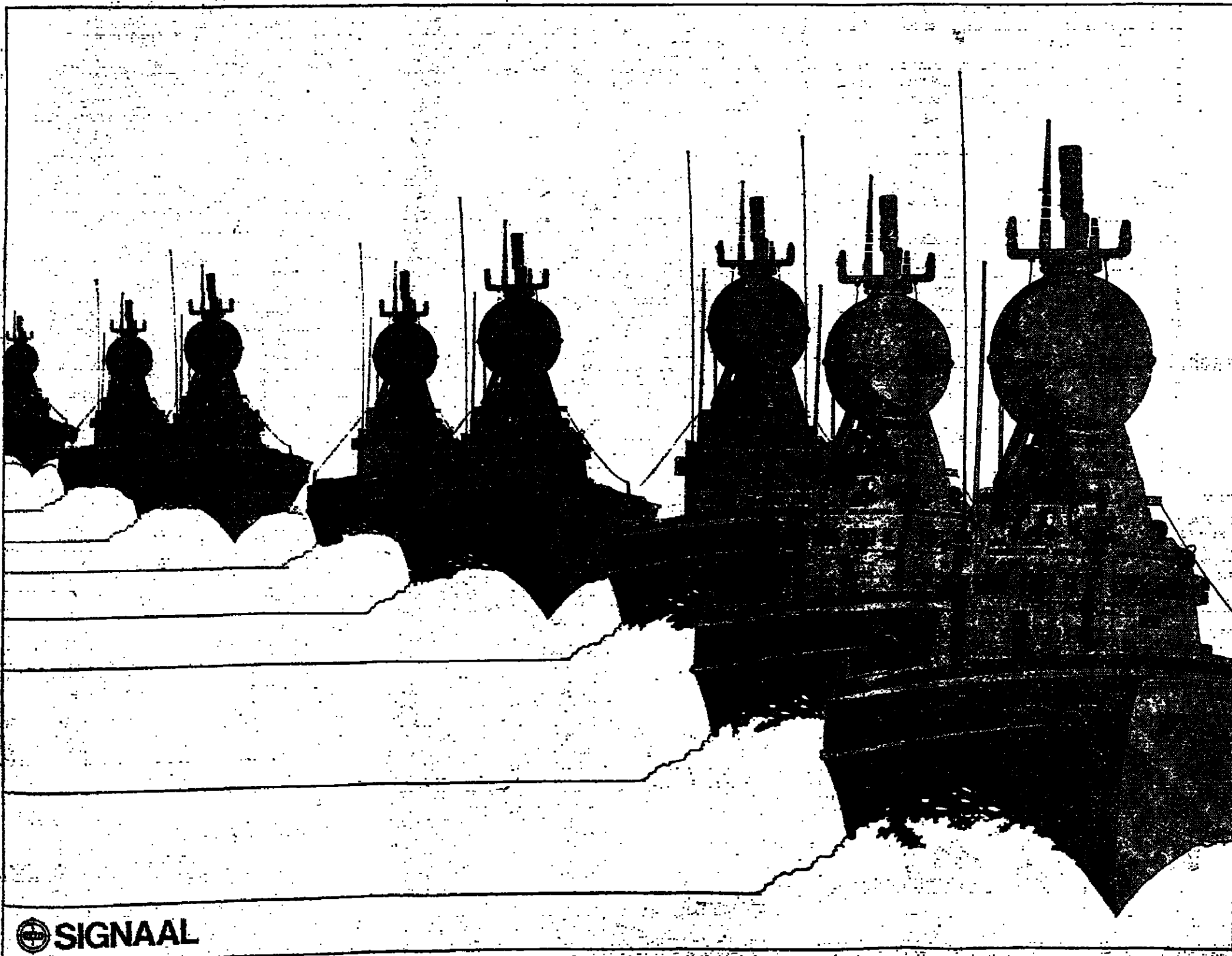
Defence Procurement—the so-called "two-way street," whereby the U.S. has agreed to buy from the U.K. wherever the latter can provide items that match home-produced U.S. goods in terms of quality, price, performance and delivery dates.

Tough

This means that whereas in the past, the U.K. companies stood virtually no chance of breaking into the U.S. military market, now they stand at least some chance. But they will still find the U.S. market exceptionally tough. They will have to adopt marketing approaches akin to U.S. practices, and initially they may find these unfamiliar. But the rewards for the successful companies will be great. The U.S. Department of Defense, with over 40,000 buyers and 100 major buying offices throughout the U.S., is the largest and most varied purchasing organisation in the world, in the market for every

thing from rope, medical supplies and construction materials through to electronic components and toiletries, virtually everything the U.S. armed forces need in addition to weapons. This gives rise to the question: what is a defence sale? While the most readily accepted definition is something that is a "weapon of war," in today's complex society, with armed forces of increasing sophistication and high technological development, the definition really has to be widened, and nothing in effect can be excluded. A suite of barrack room furniture sold to Saudi Arabia may not be a weapon of war, but it is logically a "defence sale" nonetheless, and many of the critics of this form of business would be surprised how wide-ranging and innocuous much of the so-called "arms trade" really is—which is perhaps why it is so lucrative, and why it is likely to survive.

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WORLD DEFENCE IV

The Warsaw Pact

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ALTHOUGH THE Russians have yet to make the big technological breakthrough which would bring their military equipment up to Western levels, they have made several improvements to all main types of equipment in the last year or so which have impressed and at times alarmed western observers. And what their weapons may lack in quality, they usually make up for in quantity.

In typical Soviet fashion, weaponry development is taking the form of improvement and modification to existing models rather than the creation of wholly new types. Although this process gives greater

guarantees of success (and economies through longer production runs) it goes some way to explaining why the Russians have never made that technological leap forward.

The Warsaw Pact's development effort—and that means mainly the Soviet Union's since the Russians farm out very little work to their allies—is concentrated equally on air, naval and land equipment, though the first group is probably the most active because of the extra high technology and expense involved.

The Soviet military aircraft industry suffered a big blow with the defection to Japan last year of a pilot flying one of its most secret aircraft, the MiG-25 (which as it turned out was less advanced than was thought). But it is believed to have several new and advanced projects in hand.

There have been reports of a new fighter, the MiG-29, which could be a supersonic combat aircraft to replace the long-standing MiG-21. The Russians may also be developing a close support armoured aircraft for strike and anti-tank operations; such a model would fill a conspicuous gap in their air weaponry.

Avionics

The Russians are almost certainly seeking ways to modernise the MiG-23 Flogger (a new version of which could be the MiG-27) and the MiG-25 Foxbat. Improvements are particularly being sought to their weaponry and avionics systems, notably what is known as "look-down, shoot-down" radar which enables an aircraft to attack another from above without losing radar contact due to interference from objects on the ground.

Developments have also been noted in transport aircraft. The Russians have made no secret of their Il-76, ostensibly a civil cargo-carrier with a 40 tons payload, but which is being produced in large numbers and could play a military role at a moment's notice.

The Russians are also believed to be working on the An-40, a giant transport aircraft on a scale comparable with the Lockheed C-5 Galaxy. Again, this would fill a big gap in the air force and enable the Russians to deploy troops and equipment

over longer distances than at present.

It is also accepted by Western observers that other civil aircraft currently under development are designed to play a military role if necessary. The new Soviet Jumbo jet, the Il-86, which will go into service in the next year or two, could clearly be used as a troop carrier, and the Tu-144 supersonic transport may already be undergoing modification as a bomber.

Generally, Soviet military aircraft technology is held in high regard in the West. But the technological lag in aerospace is more evident in missiles, though here, too, there have been improvements.

The most important is the deployment of the new generation of ballistic missiles, the SS series 17-20. But although they include the first missiles capable of being "MIRVed", or armed with multiple, independent warheads, they are still liquid-propelled, which makes them less reliable and more difficult to prepare for firing.

The Russians have yet to develop a missile which uses solid propellants (as most Western missiles do) even for their missiles launched from submarines where large quantities of liquid fuel present an enormous hazard.

But the focus of the missile race has now turned away from ballistic to cruise missiles, an area in which the Russians lag in two important respects.

The first is that they still lack the complex electronic guidance systems needed to steer the low-flying missiles thousands of miles to their targets. The second is that they have not been able to produce turbofan jet engines which are sufficiently small to power an object which

can be no more than two feet in diameter, and which is economical enough on fuel to be able to fly great distances.

Although the Russians do possess cruise missiles, they are believed to be comparatively primitive, with a range of only a few hundred miles. By Western estimates, their advanced cruise missile technology is at least five years behind, probably more.

Turning to tanks, an area where Soviet technology has up to the Arctic Seas, traditionally been strong, the Russians may recently have recouped the lead which they lost Yak-36 "Forger," a V to the West through not producing an essentially new tank since the early 1960s.

Other surface ships in the 10,000 ton Kara cruiser (due at the rate of about one a year) and the Kresta cruiser (four a year).

Future developments in defence industry are bound to depend on the progress of negotiations with the Americans. It was significant last autumn's Salt negotiations not to increase production of their new B-1 bomber beyond the rate of about two a month. And the economic difficulties face on many fronts, would doubtless welcome relief of not having to develop a brand new generation of armaments.

However, they are clearly determined to at least parity with the (measured in a complex of weapons quantity, quality, and until that point there seems no reason to believe that their defence effort will abate.

slower to build up their batch production of battle and submarines has levels where the size of Soviet fleet is being expanded.

Delta class nuclear submarine production is now about year in three variants, third variant now under construction carries 16 ballistic missiles (against the first versions).

The Soviet Union has begun to build a larger nuclear submarine, the Typhoon, designed to launch 24 long-range ballistic missiles. This would be the first submarine built for the Navy and it has been com to the U.S. Navy's T system.

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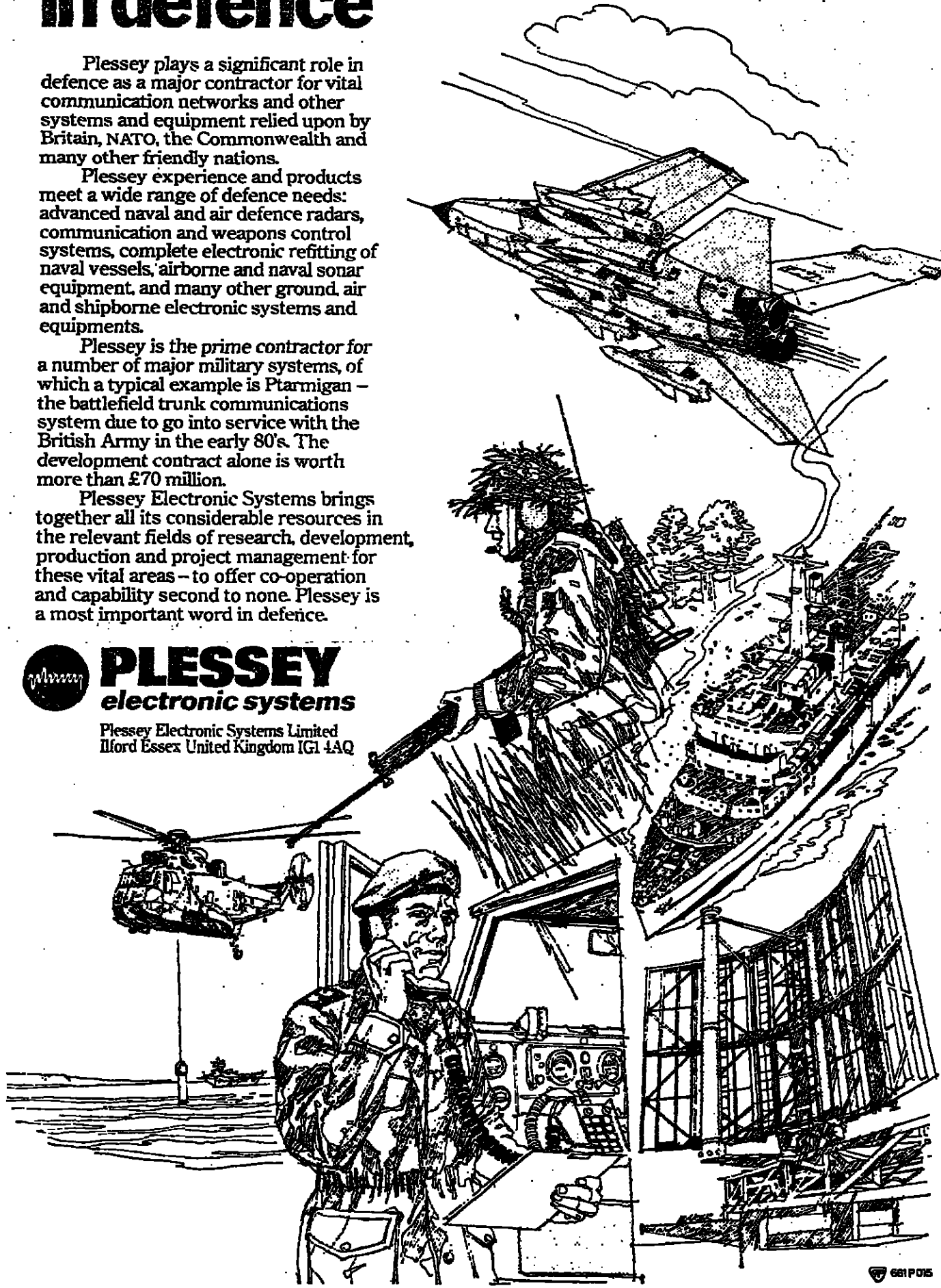
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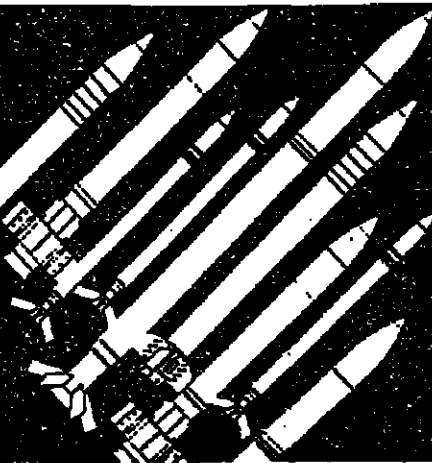
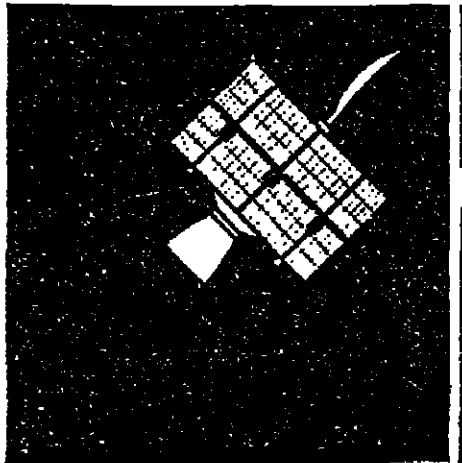
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Carter Administration flexes its muscles

THE MAJOR U.S. defence contractors, whose combined sales last year were close to \$30bn, have entered the new year with cautious optimism about the next two years even though the Carter Administration scrapped the B-1 bomber last year and is promising to reduce overseas arms sales by the United States sharply in years to come.

The cancellation of the B-1, which would have been the most expensive and possibly the most sophisticated aircraft ever built, was a blow to the industry. But it was half expected and it has been somewhat softened by the fact that the Carter Administration is at least committed to a 3 per cent increase in real defence spending over the next four years.

Further, there are a number of projects from the Cruise Missile to the mobile intercontinental missile which may yield large contracts for their developers in the next few years. At the same time, the administration's new stress on conventional forces, on combat readiness and on Nato should mean some new business in those areas as well.

The Pentagon has fewer kind things to say about shipbuilding—even the Trident submarine programme is being scaled down—but there are many observers here who believe that growing administration concern about supply routes for such key commodities as oil may rekindle interest in the shipbuilding programme in years ahead.

Thus the industry can count on a steady flow of domestic orders. It can also count on a steady flow of foreign orders despite all the talks about curbs on arms sales. During his election campaign, the President denounced the "unsavoury business" of U.S. arms sales overseas, the result of a ten-year build-up in exports which clearly left the United States as the world's leading arms salesman last year.

But after a year of study, the administration has already found it very difficult to reduce the volume of these exports. This is partly because, like his predecessors, Mr. Carter has discovered that they can be a

valuable, and indispensable political tool which cannot be ignored. But it is also because, as he has also discovered, the U.S. has numbers of allies who insist on American weaponry and do not like to be gain-said.

Last month, the U.S. Administration said that for this year there will be an \$8.5 ceiling on arms exports, down 8.3 per cent from last year's total of \$9.3bn. On closer inspection, this ceiling is less impressive than it seems at first. To begin with, it excludes sales to NATO countries. Then it, for the first time, provides a narrow definition of what is actually an "arms sale."

Excluded

As a result, several billion dollars worth of such things as military construction in Saudi Arabia are excluded from the ceiling on the grounds that they are not "weapons." If they were to be included, as in the past, the actual amount of "military" exports to be approved this year would be around \$13bn, and that is a record.

The Carter Administration argues that most of the "weapons" part of this total is comprised of contracts signed and agreed before the President took office. Of the \$8.5bn, more than half is of this kind, which leaves the administration relatively little room to arrange new sales—in theory.

In practice of course it is rather different. The \$4.8bn of new sales approved for the Middle East this month will be spread out over many years. Saudi Arabia, provided that Congress agrees, would not take delivery of its first F-15 until 1981. Other purchases can also be "stretched out" in such a way that total exports can amount to rather more each year than first suggested by the ceiling.

Quite apart from the recent precedent-breaking sale to Egypt and Saudi Arabia, which was the result of intense pressure from both nations, the predecessors, Mr. Carter has discovered that they can be a

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The result of all this has been to leave the American defence industry a trifle confused about the semantics of the Carter position, but relatively hopeful that when all is said and done, the actual level of orders and exports may not decline much in the medium term future.

The most important cloud on the horizon, of course, is the attitude of Congress, which has powerful reservations about its relations with Iran and could still block any sale to both Egypt and Saudi Arabia.

If this alone is grounds for optimism, many of the major contractors are also well aware that there is going to be an enormous demand for new commercial aircraft in the next 15 to 20 years. This is partly because many current aircraft are now approaching the final phase of their "main fleet useful life," but also because analysts expect significant growth in passenger traffic in the next decade now that the industry has got over the worst effects of the recessions and the increase in the price of fuel.

Thus it is expected that the "mix" of non defence and defence work will be adjusted in favour of civilian work. Both McDonnell Douglas, which gets about 60 per cent of its business from defence, and Lockheed (about 47 per cent), have airliners to offer. Boeing, which is fighting for a share of Cruise Missile production, gets only 30 per cent of its business from defence and neither of the major engine makers—General Electric and United Technologies—get more than 25 per cent of their work from defence.

Slightly smaller companies like General Dynamics (42 per cent) and Grumman (64 per cent) may be more vulnerable. But General Dynamics is also in the fight for the Cruise Missile, makes the F-15 which is going to Israel, and has other irons in the fire. Grum-

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David Bell

WORLD DEFENCE V

Build-up in Middle East

E ANNOUCEMENT last month by the U.S. administration of its intention—subject to congressional approval—to sell in worth of mainly advanced aircraft to Israel, Saudi Arabia and Egypt dramatically illustrates how the Middle East has become the leading area for arms sales in the Third World for arms sales. This development is a reflection of the fact that it is economically and geographically a strategic area of prime importance, that the tensions between the Arabs and Israel persist, and that enormous wealth in oil permits extravagant arms purchases.

Figures illustrate starkly how much defence expenditure has increased. According to the Stockholm International Peace Research Institute (SIPRI) the value of the exports of major weapons by Middle East countries (combined with total Third World arms imports) rose from \$8m. in 1966 (\$2bn.) to \$6bn. in 1976 (\$7.3bn.), doubling between 1972 and 1973. Defence expenditure over the same decade rose nearly eight times from \$2.8bn. to \$21.8bn. It has been estimated, too, that military expenditure as a percentage of GNP rose over the same period for a country like Egypt from about 37 per cent. and for Israel from 10 to 35 per cent. In 1977, the main spenders in their defence were Saudi Arabia \$7.5bn., Iran \$7.9bn., Egypt \$4.4bn., Israel \$4.3bn. and Syria \$1bn. The Institute of Strategic Studies has calculated that the value of arms deals included to which a known amount can be attributed (and therefore this is an underestimate) since the beginning of 1977 amounts to \$7bn.

Some of the major deals in the last few years have been of spectacular proportions. Since 1976, the U.S. has, for example, sold 160 F-16s to Iran worth \$3.4bn. and concluded three deals with Saudi Arabia, each worth \$1bn., for a Hawk missile system, a military city and a military base and factory and as sold a Hawk system to Jordan for \$540m. The Soviet Union concluded a major arms deal with Libya in 1975 worth \$1bn. and late last year another for a similar value for the

modernisation of the Iraqi air force. Britain last year won a contract worth initially \$870m. for the maintenance, servicing and training of the Saudi Air Force as well as extensive construction projects, and in 1976 sold to Iran a Rapier missile system worth \$680m. France sold last year 10 FFBG to Libya worth \$600m.

The U.S. has been the largest exporter to the area with sales worth \$8.5bn. in the 12 months up to the end of September last year of which \$6bn. went to Iran, \$1.8bn. to Saudi Arabia, \$536m. to Israel, \$116m. to Jordan, and \$28m. to Kuwait. Arms transfers to Israel, Jordan, Lebanon, Tunisia, Sudan and Morocco are on a grant or credit basis, while cash sales are made to Israel, Iran, Kuwait, Saudi Arabia and Jordan. The Soviet Union is the next largest exporter, with regular deliveries to Iraq, Syria and Libya, and from time to time to Algeria, Morocco, Iran, Sudan and South Yemen. Between 1968 and 1976, 8 per cent. of its conventional arms production over the last 20 years has gone to the Middle East.

Britain's chief recipients of arms are Iran, Kuwait, Bahrain, Qatar, the United Arab Emirates (UAE), Oman, Jordan, and Egypt, and France's Egypt, Libya, Morocco, UAE, Iraq, Kuwait and Saudi Arabia. China has from time to time supplied arms to Sudan and South Yemen.

Decision

Inevitably, there are heavy political overtones to all these sales and transfers. The latest American decision represents an attempt to encourage Saudi Arabia to continue its moderating influence in the Middle East, and to persuade President Sadat that the U.S. is serious about backing his initiative towards Israel and about mediating between the two countries. It also underlines Washington's long-standing commitment to Israel's security. The stocking-up of Iran represents the U.S. commitment to Iran's three-fold defence role. The first comes from sharing a 1,000-mile frontier with the Soviet Union; the second stems from its role as a protector of stability in the Gulf; and the third from its strategic access to the Indian Ocean. Libya's importance to the Soviet Union

because it represents a foothold in North Africa close to Egypt, once a close ally and now a hostile critic, and because it can act as a channel for arms elsewhere in Africa.

A significant development has been that Middle Eastern countries are acquiring increasingly sophisticated equipment. Occasionally there are reservations by such countries as the U.S. and the Soviet Union about handing over their most advanced and secret arms. The U.S., for example, hesitated before deciding to go through with the sale of the airborne radar warning systems, AWACs, to Iran. On the Soviet side, the actual hand-over of an aircraft such as the MiG-23 to an Arab air force was preceded by years of hesitation and rumours of deliveries. If there is a distinction to be drawn between U.S. and Soviet deliveries of sophisticated weapons, it lies ultimately in direct accountability, and the Soviet Union has no equivalent of the U.S. Congressional lobby in deciding which country should receive what arms.

One of the results of the invasion of arms deliveries has been that, some Third World clients will receive weapons that allies more immediately closer to the donors would have wanted to receive first. For example, the Iranian order for 1,200 Chieftain tanks with the special Chobham armour is that it will delay deliveries to the British Army. Iraq, Syria, Libya, and Egypt have some 180 MiG-23 fighter bombers which have not yet come into service with some of Moscow's East European allies. The London-based periodical *Arabia* and the Gulf has reckoned that Egypt, Syria and Israel maintain armed forces approximately equal in size and modernity (except for nuclear weapons and navies) to those of Britain, France and West Germany. Within ten years, Iran, Iraq, Libya and Saudi Arabia will have reached a similar level.

The question of the creation of armed forces of these proportions has to be tempered by the ability of each State to absorb new arms and military techniques. Some weapons, like anti-tank missiles and SAMs, seem to be easily adaptable for less developed nations, as the

Arab performance in the 1973 war showed. But in the end the running of efficient armed forces depends as much on broad educational and technological skills as administrative and maintenance backup.

The influx of arms into the Middle East, even though the Arabs have been major purchasers, has not moved the military balance in their favour. Israel has responded to the shocks of the early part of the 1973 war by extensive reorganisation of its forces (especially in the ability to mobilise more swiftly) and by stockpiling arms so as to avoid the problems of emergency airlifts at a time of war. Israel's supremacy over its Arab neighbours has been increased by the fact of their disarray. Egypt, for example, has had its air force badly hit by a lack of spare parts, reducing training times and the period during which they could fight an all-out war. The air defence system still has a formidable array of missiles which the Soviet Union delivered after the 1973 war, but they are becoming increasingly unreliable with age. The consensus is that Egypt would be capable of fighting a defensive war for a limited duration and with limited objectives.

Egypt is neutralised not only by its equipment but also by the early-warning systems set up as part of the U.S. negotiated Sinai agreements with Israel. This means in effect that the Arabs, without Egypt, are incapable of fighting a coherent war against Israel. Co-operation between Jordan and Syria is in military terms not what it should be, and although Syria has been re-armed by the Soviet Union, its efficiency is hampered by the stationing of 30,000 troops under the guise of the Arab Peace-Keeping Force in Lebanon.

In spite of the apparent ability of many states in the

Middle East to obtain weapons of the highest sophistication, there remains an underlying fear of being cut off from arms sources at a crucial moment. This has resulted in moves to create local arms industries. By far the most successful has been Israel, whose production includes the supersonic Kfir fighter, the Arava transport aircraft, the Jericho, Shafir and Gabriel missiles, missile boats and the Merkava tank. Its exports were worth \$260m. in 1976. But even Israel, because of its limited economic resources, has to consider carefully whether it is sensible to invest vast sums in producing a tank which would be cheaper to buy elsewhere. For the other countries technology and education are greater drawbacks. Egypt, for example, abandoned programmes in the 1960s to develop aircraft and missiles, but now is capable of producing small arms, ammunition and non-guided RPG missiles. Because of its near break in relations with the Soviet Union, it finds itself in the curious position of having to turn to the West for the servicing and refurbishing of its Soviet equipment.

Of the other states in the area, Iran is perhaps most advanced with a capability of assembling aircraft and helicopters, producing some elec-

tronic systems and small arms. The most concerted Arab effort has been the creation of the Arab (Military) Organisation for Industrialisation (AOI). It was set up in 1975 with capital of \$1.043bn. and is owned by Egypt, Saudi Arabia, Qatar and the UAE, which will be the primary market for local weapons production. Egypt has handed over four factories to the AOI, and a high priority from the start has been the training and development of AOI personnel. The AOI has discussed the licensed production of the Mirage F-1, jet trainers and surface-to-air missiles.

Two notable effects of this colossal accumulation of weapons in the Middle East are apparent. One has been, particularly as a result of the acquisition of "status arms," to increase rather than lessen the ties between selling and purchasing countries. By 1980, Iran may need as many as 60,000 Americans to help the absorption of its sophisticated arms, and the large British contract in Saudi Arabia for the air force will need some 3,000 Britons to implement it. The second point is the inevitable: the Middle East region is now more potentially explosive than ever before.

China watchers in Hong Kong have narrowed down Peking's possible choices, according to the Far Eastern Economic Review. These would now probably include, for the army, anti-tank guided missiles, a low altitude, surface-to-air missile system, and gun stabilisation and laser ranging technology for tanks. Reports say the Chinese already have samples of the Soviet Sagger wire-guided missile which they got in exchange for MIG-21 spare parts from Egypt.

For the air force, the Chinese are reckoned to want air-to-air missiles, air-to-surface missiles, preferably with terminal guidance and airborne radar, with look-down capacities. The Navy's needs are identified as airborne and shipborne sonar and homing torpedoes.

All weapons contracts for China would have to be cleared by COTOM, the NATO co-ordinating committee on exports to Communist countries which controls sales of sensitive equipment. It remains to be seen whether a missile deal, or even one for the Harriers, would get past this committee.

On the other hand, if the West wishes to keep anything like a world balance of power, it might be in its interest to permit the Chinese to catch up somewhat in the arms race. With the rapid Soviet advancement in this field, one possible way of balancing the scales would be to give Moscow more to think about on its Eastern flank. The Russians have already made it extremely clear that they dislike the prospect of Europe selling arms to China.

So far Peking has not actually made any firm offers to purchase. When it does, the elements under consideration will be far more than commercial or even regionally strategic. They will be questions of global importance whose repercussions could echo well into the 21st century. Hence, any steps towards supplying Chinese arms needs are likely to be cautious.

Anthony McDermott

Colina MacDougall

Chinese strategy

UP-TO-DATE military equipment is an important Chinese interest these days. Since the radical Mao and her friends met their doom in autumn 1976, the subject of modernisation has cropped up regularly in the Chinese Press. Teng Hsiao-Ping, who is Chief of Staff as well as Party vice-chairman and vice-premier, was attacked when in disgrace two years ago for advocating a stronger and more efficient army. Now back in power, he is certain to be pressing for new weaponry.

China's awareness of its needs has shown in inquiries abroad and the exchange of military missions. A high-level army delegation went to France last autumn and was shortly followed by the China Trade Minister. In the same period, a Swedish military group visited China and came back saying that Peking would buy and their medium-range missiles are liquid-fueled and therefore slow to launch.

(including Sir Geoffrey Tuttle, consultant to British aerospace), that China intended to buy the Hawker Harrier jump jet. When the Chinese Minister of Trade, Li Chiang, came to Britain later in the same month, he spent an afternoon watching the Harrier perform. Air Marshal Sir Neil Cameron, chief of the British Defence Staff, is due to visit Peking in March.

Capability

The Chinese have serious need of modernisation. Practically all their weaponry is 10 to 20 years behind the times. While they have successfully developed a nuclear capability, their delivery systems are not really adequate. Their ICBM has not been fully tested (though some experts have guessed that China used these to power its recent satellites) and their medium-range missiles are liquid-fueled and therefore slow to launch.

Conventional forces are still further behind the time. Chairman Mao's "millet and rifles" philosophy, enforced by the radicals in the Chinese leadership since the early 1960s, kept the army static. The Military Balance 1977, published by the Institute of Strategic Studies, estimates that the 3.2m-strong army has only 10,000 tanks modelled on Soviet 1950s and 1960s types, 3,500 armoured personnel carriers, and 20,000 heavy guns, including rocket launchers and self-propelled artillery.

In the air force the situation is different but almost worse. The Chinese have the third largest force in the world, with around 5,200 combat aircraft, but most of them are out-dated MIG-17s or 19s. Their own fighter, the Shenyang F-9, and a hundred or so home-made MIG-21s (said to be copied from aircraft shipped by the Russians to North-Vietnam during the war) are thought to be build-

ing an aircraft to match up to the MiG-23 for which the Rolls-Royce military version of the Spey engine (sold to China in 1975) may be intended. But this aircraft is not in production yet.

The navy is of much less interest to Peking since the leadership perceives the chief threat of coming across the land border from the Soviet Union. It is mainly a coastal force with submarines and seems adequate for its present job.

Modernising this huge but backward military force will have to be highly selective in Peking's present economic circumstances. Whatever the difference among Chinese leaders, they are probably those of degree, not of kind. No Peking general would advocate the large-scale purchase of military hardware on the Iranian pattern. The scale of any purchases is likely to be quite small. Even the most modern-minded Chinese officer

MADE FOR DEFENCE

but defence against different kinds of threats requires:

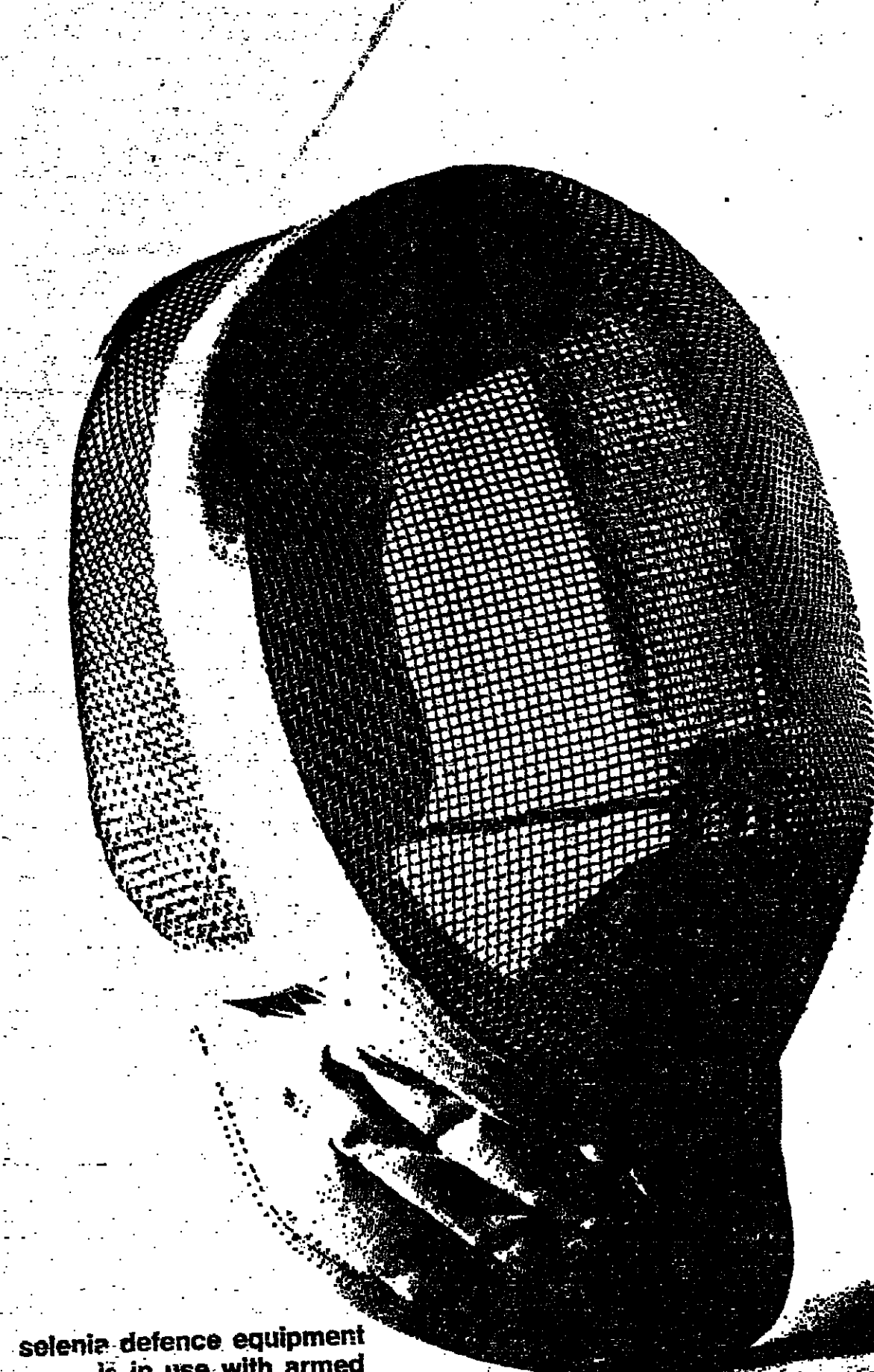
- Ground-to-air point/area missile systems
- All weather air-to-air missile systems
- Integrated air defence systems
- Short and medium range naval air defence weapon systems
- ASW systems
- Coastal and low coverage surveillance radars
- High power surveillance radars
- Three-dimensional mobile surveillance radars
- Integrated naval systems
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- Radar signal interception, analyses and jamming systems
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Fresh fall reversed leaving 1.2 gain

BY OUR WALL STREET CORRESPONDENT

FOLLOWING CLOSELY the move-ments of the dollar on foreign exchanges, Wall Street weakened further in the early stages to a low before recovering to finish with a mixed appearance after an increase in activity.

The Dow Jones Industrial Average, which ended 6 weeks yesterday at a three-year low, fell 1.2 points to 734.75, and then rebounded to 747.02 before ending.

WEDNESDAY'S ACTIVE STOCKS

	Stocks	Change
	traded	on
	day	day
Sony	112.00	+1.25
IBM	129.00	+1.00
Middle S. Utilities	10.00	+1.00
Prudential Financial	10.00	+1.00
AT&T	10.00	+1.00
American Tel. & Tel.	12.00	+1.00
General Elec.	10.00	+1.00
Steris Corp.	10.00	+1.00
Alco Chem. Pharm.	10.00	+1.00
Cit. & South West	10.00	+1.00

under strong selling pressure, improved a little, Bausch and Lomb raised 21 to 347, Teledyne \$1 to \$741, and Digital Equipment \$1 to \$393.

Coca Cola, on higher earnings and raised dividend, put on \$1 to \$351.

Gulf Resources, which cut its dividend, fell 11 to \$93. Oil's rose \$1 to \$144 on the company

FARMING AND RAW MATERIALS

Union calls for land register

Christopher Parkes

THE MAIN Irish fishermen's union is in favour of the Irish Government's abandonment of demand for a 50-mile exclusive fishing limit. Mr. Joe Murray, chairman of the Irish Fishermen's Organisation, believes the decision by Mr. Ian Lenihan, Fisheries Minister last week to drop the demand for an exclusive limit to accept the EEC Commission proposal for "fishing plans" will allow his organisation to continue its fight for a 50-mile limit.

Rish fishing chief accepts limit decision

By Our Commodities Staff

THE MAIN Irish fishermen's union is in favour of the Irish Government's abandonment of demand for a 50-mile exclusive fishing limit. Mr. Joe Murray, chairman of the Irish Fishermen's Organisation, believes the decision by Mr. Ian Lenihan, Fisheries Minister last week to drop the demand for an exclusive limit to accept the EEC Commission proposal for "fishing plans" will allow his organisation to continue its fight for a 50-mile limit.

Copper producers agree on 15% output cut

BY JOHN EDWARDS, COMMODITIES EDITOR

AGREEMENT to reduce copper production by 15 per cent has been reached between three of the world's leading exporting countries—Zambia, Zaire and Peru—it was announced yesterday.

Rise in world grain stocks forecast

FINANCIAL TIMES REPORTER

EARLY INDICATIONS suggest a rise in combined world output of wheat and coarse grains in 1978, while larger cereal reserves would serve as a buffer to a decline from these prospects. According to the UN Food and Agriculture Organisation (FAO), while predicting rises at world level, the organisation's food outlook report notes that a number of countries are suffering from food shortages due to poor crops in 1977, especially in West Africa and South East Asia.

figure of 658,000 tonnes for last year, but would not be reflected directly in sales terms and would also have to bear in mind a ten-month, instead of 12-month, period.

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ing organisation concerned would have to take into account its individual contractual commitments.

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Demand for EEC white sugar cut

By Richard Mooney

EEC WHITE sugar export authorisations fell to their lowest level for several months at yesterday's weekly tender.

Rise in world grain stocks forecast

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SNOW DAMAGE Farmers back plan for self-help

BY CHRISTOPHER PARKES

THE NATIONAL Farmers' Union is prepared to rally support and raise money from the agricultural industry to help pay for the damage caused in the South-West and Wales by recent blizzards, but not until the Ministry of Agriculture promises assistance, Sir Henry Plumb, the president, said yesterday.

Rise in world grain stocks forecast

FINANCIAL TIMES REPORTER

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initiative in evolving a method of self-help within the agricultural and allied industries, but Government must equally be prepared to make a no less positive contribution to repairing the damage sustained by farmers and growers.

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effects of the weather in Scotland and the South West and Wales on stocks could cost farmers almost £2m. in lost wool.

Rise in world grain stocks forecast

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Philippines halts coconut oil expansion

BY OUR OWN CORRESPONDENT

MANILA, March 1

THE PHILIPPINES has halted expansion of its coconut oil processing industry because of fears that raw material supplies will prove insufficient.

According to official estimates, the 30 existing mills and the 25 new in various stages of construction will have a combined capacity of 3.7m. tonnes (in copra terms) by 1980.

Lanza, governor of the Board, the Government is considering raising the export duty from 10 to 15 per cent, while at the same time retaining the export duty at 4 per cent for coconut oil and desiccated coconut.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Futures on the London Metal Exchange for forward metal traded in external markets. The price of copper rose to £11.50 from £11.40 in 1977, but fell to £11.30 in 1978. The price of copper rose to £11.50 from £11.40 in 1977, but fell to £11.30 in 1978.

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FINANCIAL TIMES STOCK INDICES

* Minimum yield. Highs and lows record, base dates and values, constituent changes are published in 5 issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Street, London, E.C.A, price 3s, by post 3s.

OFFSHORE AND OVERSEAS FUNDS

[illegible]

... ..	104.8	9.1	3.67	Unl. Intnl. Mngmt. (C.I.) Ltd.	
Hill Samuel Overseas Fund S.A.				14 Malabar Street, St. Helier, Jersey	
7, Rue Notre-Dame, Luxembourg				1 CR Fund	5.31M
12.26				Chartered Sec. Tst. Intl. Adv. Co.	14 The Aldridge, London
International Pacific Life Mgmt. Ltd.				St. Helier, Jersey	
PO Box 8237, 54 Pitt St. Sydney, Aust.				Unl. Int'l. Inv. Fnd.	1.579.84
London Equity Tst. 151.84	1.94			Net Asset Feb. 28	1.07
I.E.T. Managers (Jersey) Ltd.				S. G. Warburg & Co. Ltd.	
PO Box 396, Royal Tst. Hse, Jersey 0594 7744				36 Graham Street, E.C.2	01.000.4538
Jersey Extrnl Tst. 100.8	318.6			Crn Bd Feb. Feb. 28	5.283.31
As at Jan. 31, Next sub day Feb. 28				Net Asset Feb. 28	1.178
Avonclaire Fleming & Co. Ltd.				Emer. Inv. Feb. 28	51.53.57
4th Floor, Canabrigge Centre, Hong Kong				St. Helier, Jersey	1.000.4538
Jersey Extrnl Tst. 100.8	318.6			Warburg Invest. Mngt. Jersey Ltd.	
Avonclaire Fleming & Co. Ltd.				1, Charney Quay & Helier, Jersey C.I. 0594 7744	
4th Floor, Canabrigge Centre, Hong Kong				Worldwide Gth Fnd.	3.712.16
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4th Floor, Canabrigge Centre, Hong Kong				Net Asset Feb. 28	1.178
Jersey Extrnl Tst. 100.8	318.6			Emer. Inv. Feb. 28	51.53.57
Avonclaire Fleming & Co. Ltd.				St. Helier, Jersey	1.000.4538
4th Floor, Canabrigge Centre, Hong Kong				Warburg Invest. Mngt. Jersey Ltd.	
1, Charney Quay & Helier, Jersey 0594 7744				Worldwide Growth Management	
Net of tax on realised capital gains indicated by 4 of January 1978 & Suspended				10, Ranelagh Road, Luxembourg	
Net of tax on realised capital gains indicated by 4 of January 1978 & Suspended				Worldwide Gth Fnd.	3.712.16
Net of tax on realised capital gains indicated by 4 of January 1978 & Suspended				Crn Bd Feb. Feb. 28	5.283.31
Net of tax on realised capital gains indicated by 4 of January 1978 & Suspended				Net Asset Feb. 28	1.178
Net of tax on realised capital gains indicated by 4 of January 1978 & Suspended				Emer. Inv. Feb. 28	51.53.57
Net of tax on realised capital gains indicated by 4 of January 1978 & Suspended				St. Helier, Jersey	1.000.4538
Net of tax on realised capital gains indicated by 4 of January 1978 & Suspended				Warburg Invest. Mngt. Jersey Ltd.	
Net of tax on realised capital gains indicated by 4 of January 1978 & Suspended				1, Charney Quay & Helier, Jersey C.I. 0594 7744	
Net of tax on realised capital gains indicated by 4 of January 1978 & Suspended				Worldwide Gth Fnd.	3.712.16
Net of tax on realised capital gains indicated by 4 of January 1978 & Suspended				Crn Bd Feb. Feb. 28	5.283.31
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Net of tax on realised capital gains indicated by 4 of January 1978 & Suspended				1, Charney Quay & Helier, Jersey C.I. 0594 7744	
Net of tax on realised capital gains indicated by 4 of January 1978 & Suspended				Worldwide Gth Fnd.	3.712.16
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Net of tax on realised capital gains indicated by 4 of January 1978 & Suspended				Emer. Inv. Feb. 28	51.53.57
Net of tax on realised capital gains indicated by 4 of January 1978 & Suspended				St. Helier, Jersey	1.0

INDUSTRIALS—Continued

INSURANCE Continued

PROPERTY *Continued*

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U.S. set to build neutron bomb

By Reginald Dale

THE U.S. is preparing to announce a decision to go ahead with production of the controversial neutron bomb, according to senior NATO officials in Brussels.

At the same time, Washington is expected to offer to include the weapon in future arms limitation negotiations with the Soviet Union in exchange for Russian concessions in other fields.

The move could cause a further upset in East-West relations, already strained by Soviet intervention in the Horn of Africa and delays in reaching a new strategic arms limitation agreement (SALT II).

NATO sources say that an American announcement is most likely to be made at the meeting of the Alliance's Nuclear Planning Group in mid-April and the meeting of Defence Ministers in Brussels in mid-May. The aim would be to set the issue out of the way before the Alliance's Washington summit in late May.

Hitherto Washington has held back on the weapon in the hope that its European allies could be persuaded to ask publicly for its production and deployment. Yet other Western Governments want Washington to bear the brunt of the political odium that the decision is bound to generate.

Washington is now apparently counting on the support of the U.K. and West Germany, and would like to secure the backing of at least one smaller European country, perhaps Belgium.

The warhead's advocates say it would pinpoint nuclear explosions in a much smaller area, limit civilian casualties and strengthen the West's military use would be against Warsaw Pact tanks.

NATO sources say there would be a period of about two years between the decision to produce the weapon and its deployment in Europe. This would provide time to negotiate with Moscow. The West believes the Soviet Union, which has scored considerable propaganda success in its campaign against the weapon, has now overplayed its hand.

President Brezhnev's recent letters to Western leaders warning them not to introduce the warhead are regarded as counterproductive. They have made it difficult for the West to renounce the weapon without giving the impression of yielding to Soviet pressure.

In Washington late yesterday General Alexander Haig, U.S. commander in Europe, said most of Europe's military leaders wanted to deploy the neutron bomb. Testimony to the Senate's Armed Services Committee, he said the bomb would lessen the likelihood of nuclear war by providing a more credible deterrent.

SALT warnings, Page 4

Two North Sea fields to close for repairs

By RAY DAFTER, ENERGY CORRESPONDENT

TWO OF the biggest oilfields in the North Sea will be closed temporarily in the next few months so that buckled pipelines can be repaired.

The pipelines, which carry oil from the Brent and Ekofisk fields, are thought to have been damaged by anchors dragged along the seabed by unidentified ships. Operators for each of the fields said yesterday that there was no danger of a leakage.

However, production of oil worth £3.1m a day will be held up while repairs are made. Ekofisk, which lies in the Norwegian sector of the North Sea, is producing oil at the rate of 400,000 barrels a day. The Brent Field produces oil at the rate of 300,000 barrels a day.

The damaged section of the Ekofisk line is close to the Teesside oil terminal where the field's oil is landed. Phillips Petroleum, operator for the Ekofisk partners, said yesterday that the pipeline would be repaired before mid-year. Production probably would be interrupted for a few days.

The Ekofisk line is capable of carrying 1m barrels of oil a day. As some of the fields in the Ekofisk area have yet to be linked to the pipeline through pump-out stations, the closure of the line has not yet had a major impact on production.

Brent is the biggest field in the U.K. sector of the North Sea. Recoverable oil reserves are estimated to be about 2bn barrels.

The buckling of the two pipelines emphasises warnings from the U.K. Offshore Operators' Association that production could be disrupted seriously by damage caused by shipping, either through collisions or from dragging anchors.

The association has called for an increase in safety zones around offshore installations. North Sea revenue on target, Page 8

Houlder Offshore may order support vessel, Page 10

The damaged 16-inch diameter line carries oil from the Brent D platform to another production platform, Brent B. From here the oil is transported by pipeline to a floating storage and tanker loading unit.

After pressure tests on the buckled line the Energy Department has authorised a continuation of production.

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Cuckney will resign as Crown Agents chairman

By MARGARET REID

A HIGH COURT Judge, Mr. Justice Croom-Johnson, will head the three-man Tribunal of Inquiry into the £236m losses incurred by the Crown Agents in its foray into secondary banking and property in 1967-74.

The other members are Lord Alton of Liverpool and Sir William Slimming, a City accountant.

Meanwhile, it is learned that Mr. John Cuckney is to resign as chairman of the Crown Agents in September.

Mr. Cuckney, who has headed the Agents for four years, in which time he set the organisation on the road to recovery with more traditional policies and tighter control.

Under his chairmanship, deposits placed by overseas customers with the body, which enjoys strong Government backing, have grown to record levels. Last night, Mrs. Judith Hart, Minister for Overseas Development, confirmed that Mr. Cuckney would be resigning in September, saying that she had discussed his departure with him some time ago.

She was "very sad" that he was going since he had done a "superb operation during these extremely difficult years" for which the Government was grateful.

The three-man inquiry, whose membership was announced in the Commons yesterday by Mr.



Mr. John Cuckney

Merlyn Rees, the Home Secretary, will have the powers, rights and privileges of the High Court.

It is being set up in place of the private inquiry which the Government proposed in December, but which MPs rejected following the highly critical Fay Committee's report on the Crown Agents' activities.

Lord Alton was, as Sir Philip Allen, Permanent Under-Secretary of State at the Home Office from 1966 to 1973.

Sir William Slimming, who is about to retire as chairman of

the Accounting Standards Committee, will head the two Department of Trade inspectors who produced a critical report on the Lend Lease conglomerate in 1976.

Mr. Cuckney, after being called in as chairman of the Crown Agents' Tribunal of Inquiry in 1974, arranged an £85m Government grant to fend off a financial crisis threatened by disastrous investment policies.

A further £90m grant from the Government was announced last month.

Since last October, when Mr. Cuckney, who is 53, became part-time, instead of full-time, chairman of the Agents, he has been chairman of the Port of London Authority. He is also chairman of the Building Industry Economic Development Committee and may take on further responsibilities.

The deal follows the signing recently of the British Aerospace contract with the AOI for the purchase and assembly in Egypt of the long-range anti-tank Swingfire missile, believed to be worth over £40m.

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Westland's helicopter deal with Arabs may earn £400m

By Michael Donnan, Aerospace Correspondent

ROLLS-ROYCE and Westland Aircraft have signed a major helicopter deal with the Arab Organisation for Industrialisation in Cairo.

It involves the initial supply of 20 Westland Lynx helicopters with Rolls-Royce Gem engines, and the assembly of aircraft and engines in Egypt.

Later, parts would be manufactured in Egypt, involving up to 230 helicopters.

Westland Helicopters, a member of the Westland Aircraft group, said that a joint company called the Arab British Helicopter Company had been set up with a capital of £17m, of which the Westland shareholding is 30 per cent.

The Arab British Engine Company has also been formed between the AOI and Rolls-Royce.

The initial contract is worth about £50m to £100m.

It eventually could be worth more than £400m through the provision of parts for the licensed assembly lines, and technical and management training.

Factories will be set up at Helwan, near Cairo. The Cairo organisation is financed by the governments of Saudi Arabia, Qatar, the United Arab Emirates and Egypt.

The Lynx helicopters will be used by the four countries, and may also be used by other Arab nations.

Lord Airding, chairman of Westland, said that he was hopeful that the deal would lead to more orders for Lynx helicopters from the Arab world.

The Lynx is a twin-engine general purpose helicopter which evolved from the original Anglo-French helicopter package, which also included the Puma and Gazelle aircraft.

The Lynx order book totals 231 aircraft, of which 160 are for the British Army and Royal Navy, 26 for the French Navy, and the rest for Holland, Denmark, Argentina, Brazil and Qatar.

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Reassessing BP's earnings trend

By Michael Donnan, Aerospace Correspondent

With the building societies facing mounting official pressure to cut back their lending growth, to-day's issue of the new short tap should give them an outlet for some of the funds diverted from bricks and mortar. Estimates vary, but it is generally reckoned that around £200m (one-third) of the short tap — 81 per cent. Exchequer 1983 — could go on application, and the building societies should account for the vast bulk of this. Meanwhile the long tap is still mentioned over £1½ from its last operative price.

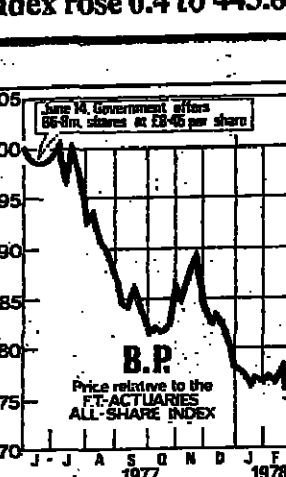
Remarkable downward revisions are taking place in the City's estimates of BP's earnings in 1978, once thought to be the year of a great leap forward. The progressive downgrading of expectations lies behind the relentless slide in the BP share price which has been in a downward trend relative to the U.K. equity market for well over a year. The price finished at 720p last night in the backwash of Tuesday's report by the New York brokerage house, Wertheim which led to a temporary suspension of BP's share price.

Leading London brokers are not arguing with Wertheim's reassessment, and have already been giving out much the same message. A great deal has changed since the Government disposed of 66.8m BP shares last June amid enthusiastic brokers' estimates that 1978 — thanks to virtual full production in the North Sea Forties field and in Alaska — would bring earnings of 180p a share; and maybe 200p. Now, analysts are talking more in terms of 120p, and some go as low as 100p.

A deterioration in the U.S. outlook is the major factor behind the reductions, with a contribution of only some 50p a share now expected, half what was generally forecast last summer. General factors like the weakness of the dollar and disappointing oil price levels are still up by nearly two-thirds have combined with specific problems: Sohio has only been able to sell 180,000 barrels a day into the West Coast, and exchange rates rather than market, for example, against the dollar, are still up by nearly two-thirds.

If all goes well, profits this year could be something like a third higher again at the pre-tax level. With an operating ratio of 98.8 per cent, in the

Index rose 0.4 to 443.8



Final quarter, the U.S. is to turn round from a writing loss of £3.8m. So although there are still signs of keen rate action in the important account, GA could be for its first overall under-profit since 1973.

Meanwhile one of the special strengths is its sheet in the U.S., where a margin is roughly 6 cent. In a land of capitalised insurance companies this is enabling the group to expand its geographic spread which is gradually westwards. Premiums rose by nearly a fifth in terms last year, and could the same again in 1978.

GA's shares have not been performing particularly well, and the yield at 20 still below the sector average at 6 per cent. However the dividend is well covered by earnings of 28.2p per share GA could now become the better performer of the composite companies.

As probably the most aggressive and innovative of the American banks, it is not surprising that Citicorp the first foreign commercial bank to come to the Eurobond market. Its £20m year issue — average life — years — makes a lot of sense.

Although there is no requirement for foreign branches in the U.K. to port their sterling business, capital, the upheaval foreign exchange rates must have increased the sure on banks to try and re their exchange exposure.

capital of all the major banks, for example, is all entirely denominated in dollars and many of them have substantial sterling assets so may follow Citicorp's ex-

ample. In addition the attraction getting 11 year money on 1 per cent coupon when two sterling costs upwards of 9 cent. should not be overlooked.

Citicorp's decision to tap sterling Eurobond markets seems to fit into its recent term of raising local capital support local operations.

April, 1978, is raised at \$60m of floating rate — denominated in French franc and so far this year it has raised Swiss franc and Australian dollar debt.

General Accident

General Accident, like Commercial Union, has produced an underwriting profit for the final quarter of 1977 thanks to the continuing recovery of its U.S. business. The U.K. has been a disappointment, with a 15 per cent rise in motor claims frequency and bad fire experience in the final quarter leading to a loss for the year of £4.2m. But pre-tax profits are still up by nearly two-thirds.

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Healey warns on slow growth

By JOHN ELLIOTT, INDUSTRIAL EDITOR

A WARNING that the economy would fail to meet the 3 per cent growth in gross domestic product envisaged by the Government for this year was issued yesterday by Mr. Denis Healey, Chancellor.

He told a meeting of the National Economic Development Council, that this was mainly due to changes in the international environment since the forecast was made last autumn. There was a slower growth in world trade, which was not performing its normal positive role in boosting economic activity.

But, despite of this warning, Mr. He